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9 FEBRUARY 1987

WEST EUROPE REPORT

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POLL INDICATES LARGE SETBACK FOR PARTIES ON LEFT

Left Socialists Below Threshold

Copenhagen BERLINGSKE TIDENDE in Danish 7 Dec 86 pp 1, 4

[Article by Carl Otto Brix: "Poll Sends Small Parties Out"]

[Text] Neither the Christian People's Party, Progressive Party nor the Socialist Left Party got over the hurdle in the November poll--a dead heat between the governing side and the opposition.

The immense leap which the Socialist People's Party had in the Gallup poll for October became a little hop in the November poll.

Gallup gives the SF [Socialist People's Party] 14.2 percent of the votes, but on the other hand the Social Democratic Party has advanced and is now at almost the same percentage as in the election. Accordingly, it is again almost a dead heat between the governing side and the opposition.

The Blocs Are Almost Equal

The governing parties plus the Radical Left Party get 88 seats, while there are 87 for the Social Democratic Party and the SF.

The seat calculation is based on the 175 seats which are elected in Denmark proper.

November's poll is hard on the smaller parties. Neither the Christian People's Party, the Progressive Party nor the Socialist Left Party get over the hurdle of two percent of the votes, and the same holds true for the number of other parties eligible for the ballot.

On the other hand, there is a large percentage of "unrepresented" votes. A whole 8.4 percent of those whom Gallup questioned want to vote for one of the parties which fell below the cutoff point in the poll, and thereby the seats for the six parties which came in become cheaper. There become fewer parties for the same number of seats, and this is the explanation for the fact that the parties can have made progress in the seat figure in spite of the same or slightly less support as compared with the election in January 1984.

The trend in the poll is otherwise largely speaking the same as in previous ones. There is progress for the Conservative Party and SF, while the Social Democratic Party and Liberal Party are stagnating.

Distribution of Seats

The number of seats based on the November 1986 Gallup poll:

	Gallup	'84 Election
Social Democratic	60	56
Radical Left	11	10
Conservative	45	42
Socialist People's	27	21
Democratic Center	9	8
Christian People's	0	5
Liberal	23	22
Socialist Left	0	5
Progressive	0	6

Political Index

Question: Which party would you vote for if there were a general election tomorrow?

Replies collected: 22 Nov - 30 Nov 1986

	10 Jan 84	May 86	Jun 86	Aug 86	Sep 86	Oct 86	Nov 86
Social Democratic	31.6	31.0	31.1	30.7	29.5	30.4	31.2
Radical Liberal	5.5	3.8	5.1	4.1	5.0	3.7	5.6
Conservative	23.4	24.6	23.4	25.8	24.7	23.1	23.8
Single-Tax	1.5	-	-	-	-	-	-
Socialist People's	11.5	15.4	14.7	14.5	16.3	18.1	14.2
The Greens	.	-	-	-	-	-	-
The Humanist Party	.	-	-	-	-	-	-
International							
Socialist Worker's	0.1	-	-	-	-	-	-
Communist	0.7	-	-	-	-	-	-
Marxist-Leninist	0.0	-	-	-	-	-	-
Democratic Center	4.6	3.1	4.0	3.6	3.1	2.6	4.9
Christian People's	2.7	2.6	2.9	2.2	2.4	2.9	-
Liberal	12.1	11.6	12.4	11.7	12.5	12.3	11.9
Socialist Left	2.7	2.1	-	-	-	-	-
Progressive	3.6	3.0	2.7	2.8	3.6	2.3	-
Others (parties with less than two percent of the votes)	.	2.8	3.7	4.6	2.9	4.6	8.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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People's Socialists Also Down

Copenhagen BERLINGSKE TIDENDE in Danish 7 Dec 86 p 14

[Editorial: "Knock on the Head for SF"]

[Text] It is a real knock on the head the Socialist People's Party has gotten in this month's political index from the Gallup Institute. The party has gone down from support of 18.1 to 14.2 percent of the voters from October to November.

It has been a very long time since the Socialist People's Party has experienced such a Sunday.

Has the continued progress been halted? What has become of the red majority much coveted by the SF and certain Social Democrats?

It can be immediately imagined that this month's defeat is a consequence of the fact that the SF'ers were not able to make themselves lords over the environment policy.

The Gallup index shows that Environmental Affairs Minister Christian Christensen lost something by not being the one to be able, on behalf of the Christian People's Party, to secure for himself leadership of the environment policy, while both the Conservative Party, which indicated a distinct position, and the Radical Liberal Party got the credit for passing the big plan for combating pollution.

There was no room for anyone to give a solo performance.

It is a long time to the next general election, and a lot can change. But as far as Gallup's latest index shows, it is not as easy as some think to gain a socialist majority in the Folketing.

8831

CSO: 3613/33

POLL SHOWS LEFT MAY LOSE FEWER SEATS THAN EARLIER FORECAST

Scholars Predict Large Losses

Helsinki HELSINGIN SANOMAT in Finnish 12 Jan 87 p 9

[Article: "Scholars Predict Clear Election Losses For Left"]

[Text] Tampere University political researchers, Professor Pertti Pesonen and Docent Pertti Timonen predict clear election losses for the left in the March parliamentary elections. The researchers think that the Greens and Conservatives will be the victors of the elections.

The relative strength of the non-socialist parties and socialist parties after the election will be 126-74, Pesonen and Timonen predict. If this prediction holds true it would mean that the left would have fewer seats than ever before in the history of the Eduskunta [national parliament], with the exception of the 1930s.

To arrive at their assessment the researchers used data on voter support for the parties in November, based on the combined results of two different polls. The district-by-district calculations made by Pesonen and Timonen were published Sunday [11 January] in AAMULEHTI. According to the researchers the biggest loser would be the SKDL, which would suffer the loss of 12 seats, meaning that the party would have 15 representatives. The second biggest loser would be the Finnish Rural Party, whose representation would be cut from 17 seats to 10. According to their calculation the larger parties would retain their present strength. The Social Democratic Party would have 56 seats in new parliament, meaning they would lose one seat. The Conservative Party would climb from 44 seats to 50, and the Center Party would have 41 seats, meaning a win of three.

The biggest winner, believe the researchers, will be the Greens, who would get nine seats, going up from their present strength of two. It is estimated that the smallest parties, the Democratic Alternative [minority Communists] and the Christian League, would add two seats and the Swedish People's Party would gain one seat.

The researchers called attention to the fact that their calculations only concern the departure point, before the actual campaigning has commenced.

Poll: Fewer Losses For Left

Helsinki HELSINGIN SANOMAT in Finnish 15 Jan 87 p 12

[Article: "Latest Poll: Loss for the Left Less Than Predicted"]

[The latest poll indicates that support for the left would be greater than earlier studies had indicated. Support for the left has declined since the last elections, however. In a study commissioned by the magazine APU, the left has support of 39.7 percent of those polled, and the right 55.4 percent. The Greens would get 4.0 percent, and other parties 0.9 percent.

The largest parties, the Social Democrats and the Center, both retained their position. The SKDL and the Conservative Party have lost support in the parliamentary elections race. The Finnish Rural Party also suffered losses.

In the poll the Social Democratic Party [SDP] received support of 26.5 percent (compared with 26.7 percent in the last parliamentary election), the SKDL 10.8 (14.0) and the Democratic Alternative 2.4 (-) percent.

The Conservatives received 20.8 (22.1) percent and the Center Party 16.8 (together with the Liberals 17.6) percent of voter support. In this poll the Liberals received support of 1.1 percent (-). The Swedish People's Party had support of 4.9 (4.9) percent of those polled and the Finnish Rural Party 7.2 (9.7) percent.

The Finnish Christian League would now get 2.5 (3.0) and the Constitutional Party 0.6 (0.4) percent, and the Retirees Party (SeP) would get 1.5 (-) percent support. Of those polled, 4.0 (1.5) percent gave their support to the Greens, and 0.9 (-) to other groups.

Taloustukimus Oy pollsters polled 1,975 citizens in December.

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CSO: 3617/42

SPECULATION ON U.S. AMBASSADOR'S STANCE REGARDING PASOK

Meeting With Karamanlis

Athens TO VIMA in Greek 21 Dec 86 p 3

[Article by Giannis Kartalis: "Why the Keeley-Karamanlis Meeting"]

[Text] American Ambassador Bob Keeley's visit last Monday to former President of the Republic K. Karamanlis caused reactions and raised questions, which are justified if one considers the cool relations between the two men and the fact that Karamanlis is the first political figure Keeley met immediately after his return from Washington, where he had gone for Foreign Minister Papoulia's recent official visit there.

What did Keeley aim to achieve with this visit he initiated and which he unconvincingly characterized as "routine"?

Suggestions From Superiors

Even though little information was leaked on the substance of this meeting, it is certain that it falls within the framework of the American Embassy's efforts to balance its contacts with the Greek political world, especially after the results of the municipal elections. The question, however, remains whether this "balancing" is sought at Keeley's personal initiative or after suggestions "from superiors" in Washington.

It is also certain that Karamanlis had no reason whatever to seek such a meeting given his displeasure with Keeley's statement in the Senate [Foreign Affairs] Committee on "patron-client" [American-Greek] relations during the periods the Right was in power.

Moreover, it is known that during the first meeting between the two men in 1985, Karamanlis expressed his strong displeasure to the American ambassador.

Keeley arrived in Athens in 1985 with a "pro-Papandreou" reputation--a reputation which was substantiated by the ambassador's remarks in the Senate committee. He was also considered a close friend of M. Koutsogiorgas.

At the time the patron-client remark was made, the State Department attempted to minimize its impact with a statement which claimed, in part, that "neither Keeley nor anyone else in the U.S. government believes that freely elected democratic governments during and after this period have been dependent on the United States."

The Right's Views

Monteagle Stearns, who preceded Keeley and developed personal ties with A. Papandreou during his service in Athens in the '60s, also had a pro-Papandreou reputation. The strange thing is that all this rumoring about the personal preferences of the American ambassadors began exactly the period when Greece was ruled by pro-American conservative governments. Thus, the myth developed that the Americans support Papandreou and "betray" their "traditional" friends in Greece. But on the basis of this theory, the Americans should have refused to cooperate with a democratically elected government which in the first elections received 48 percent of the votes and in the second 46 percent.

The loyal opposition (the Right) believes that the Americans are still clinging to this pro-Papandreou policy in order to achieve a bases' agreement with the present government, a fact which assures them a neutralization of leftist reactions (except the KKE reaction, of course).

The Americans did the same thing in 1983 when they refused to sign a similar agreement with the Rallis government. The opposition also believes that the Americans tolerate Papandreou's double talk in his relations with the United States as they tolerated his "anti-Right dispute" of March 1985 when Karamanlis was removed.

Improvement of Relations

Of course, such a reputation did not exist during the ambassadorships of Kubisch and McClosky, both of whom tried to reduce the strong anti-Americanism which existed during the junta period. Moreover, McCloskey was not to be assigned to Greece, but he was mobilized at "the last moment" following the turmoil the late Chautfly's remarks about the Aegean caused.

It appears that Washington began to understand the climate the loyal opposition in Greece was trying to create at the expense of Ambassador Keeley. For this reason, Keeley had his first meeting with Karamanlis 2 months after his arrival in Greece (but failed to break the ice). Secretary of State Shultz also visited Karamanlis when he was in Athens last March and following his talks with Greek government officials, Shultz also met with ND Chairman K. Mitsotakis.

An attempt was made to improve relations between ND and the American Embassy during the days preceding the Shultz visit with a Keeley-Mitsotakis break-fast meeting. Present at this meeting were also A. Zaimis and A. Samaras and Allan Berling and Townsend Freedman (both of whom have since left).

But regardless of the loyal opposition complaints, Keeley seems determined to continue his contacts with ND officials (and with Mitsotakis personally) in an effort to acquire more complete information on the country's internal political affairs. In any event, it is known that many ND deputies (Ath. Tsaldaris, M. Evert, A. Samaras, St. Dimas, S. Papapolitis, A. Zaimis, M. Papakonstandinou, et al.) maintain good relations with the American Embassy.

ND sources maintain that it was exactly this lack of complete information that led Keeley to the wrong predictions about the results of the municipal election, a fact which forced the State Department to suggest broader contacts with the Greek political world. If such information is correct, then the Keeley meeting with Karamanlis falls within this framework.

Alleged Embassy Factions

Athens EMBISTEVTIKO GRAMMA in Greek 3 Dec 86 p 6

[Text] Among diplomatic circles in Athens it is feverishly discussed that American Ambassador R. Keeley will not remain at the helm of the embassy for long. "The latest by next fall just to save face," say well-informed sources.

Keeley, who returned from Washington on 19 November, has not been lucky as head of the embassy from the very beginning of his term. Last June he created unprecedented turmoil for a foreign diplomat with his famous statement before the Senate Foreign Affairs Committee about "client relations" and later with his statements during the municipal elections' campaign, predicting victory for PASOK and A. Papandreou.

However, it is not only the many "messages" to Washington's political figures--active or inactive--by the Greek opposition that brought about a negative climate at Keeley's expense. It is also the ambassador's inability to provide the Reagan administration with the correct picture of Papandreou's position in Greece and the split of American Embassy personnel into two camps.

In the pro-Keeley camp are those led by Vosnick whose wife is from Beirut where Keeley was born. The anti-Keeley camp is headed by Cohen who is considered a rightist. In their discussions with Greek reporters, embassy employees, even though very careful, let it be known that there is a problem in the embassy's overall operation. They point out that Keeley until now has served in Zaire, the Congo, Burundi, Uganda, Zimbabwe, Mauritius and Bali, but not in a single European country..."Greece is not in Africa," they say...

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CSO: 3521/46

ND'S MITSOTAKIS' LOW-KEY STANCE SEEN BAFFLING

Athens TO VIMA in Greek 21 Dec 86 p 6

[Article by Kh. K. Bousmbourelis]

[Excerpt] Two months after the undisputed success the conservative opposition scored in the municipal elections and despite the fact that the governing party does not appear to have recovered from its defeat, ND's leadership continues a policy which is causing reactions within the party and also raising questions among observers of our political scene.

As soon as he assumed the ND leadership in September 1984, Mitsotakis boasted: "I'll have him [Papandreou] declare elections before spring arrives"--a boast which was not justified in view of the results of the June 1984 Euro-elections. Today, however, even with the known results of the municipal elections which somewhat justify such a boast, nothing is said about parliamentary elections. And this silence causes reactions within the party.

The section of the public which is friendly to ND has not yet fully accepted the Mitsotakis leadership. As a result, there are frequent signed or unsigned newspaper commentaries about Mitsotakis' lack of fighting spirit. It is a fact that he systematically avoids stirring up the party's world. One can summarize what is being discussed in the coffee houses throughout the country about Mitsotakis' cautiousness as follows:

--He first wants Papandreou to sign the bases' agreement and get the matter over.

--He wants Papandreou to assume full responsibility and suffer all political costs for the austerity measures so he can attack the PASOK leader when he--Mitsotakis--assumes power.

--He believes that the more the parliamentary elections are postponed, the easier those displeased with PASOK will reach the point of accepting Mitsotakis as an alternative solution.

--He needs more time to firmly consolidate his position in the party's leadership so he will not be overthrown if the election results are not the desired ones.

--Since he belongs to the old generation of politicians, it is natural for him to believe that he will come to power not by the prospect that he will govern better, but by the disappointing work of those who govern now. For this reason no programs nor many details are needed about what is to be done when he comes to power.

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CSO: 3521/46

EXCLUSIVE ANALYSIS OF RECENTLY PUBLISHED POLL RESULTS

Athens ANDI in Greek 21 Nov 86 pp 14-16

[Analysis by St. Kouloglou: "Popularity of Government Officials: Papandreou at a Hairsbreadth from the Heirs"]

[Text] There are certainly many differences between Greek and French political life, but it appears that on one point there is a convergence: Just as in France, for a long period, the head, essentially, of the socialist majority, Francois Mitterand, was surpassed in popularity by his officials, such as Michel Rocard or Laurent Fabius, so the Greek prime minister is apparently being supplanted by Giorgos Gennimatas or is on an equal ranking with Kostas Laliotis and Georgios Papandreou. This is, at least, the conclusion which emerges from a recent "Evrodin" poll which was conducted in the Athens-Piraeus-Perikhora area, in a sampling of 600 people, chosen with the quota method by sex (age, area and electoral geography).

The poll, the conclusions of which--concerning the popularity of political leaders and government officials--are being exclusively presented by ANDI, occurred "in earnest" between 21 and 27 October, that is, immediately after the second round of municipal elections. But it appears that the similar results of another poll before the municipal elections influenced the prime minister's choices in the latest, "unfortunate" reshuffle....

Papandreou-Sartzetakis: Parallel Lives

Before we go on, however, to the "inside" of the government camp, let us look at another question concerning the outside, namely, the popularity of political leaders. Here the prime minister is justified in exclaiming, "Outside, we are doing well," or at least better, since he remains the most popular among the active political leaders, on an equal ranking in first place, with 40 percent, with the president of the republic. To the same question, "Do you have a very or fairly good opinion of the politicians listed below," 36 percent answered positively for Konstandinos Mitsotakis, followed by Georgios Rallis (32 percent), Evangelos Averof (28 percent), Leonidas Kyrkos (25 percent), Kharilaos Florakis (24 percent) and Kostis Stefanopoulos (16 percent) (Chart 1) [See charts at end of article].

Despite all these, the prime minister's relief should be only temporary since the diachronic study of his popularity shows a continually downward trend, in contrast with that of the New Democracy leader. With 69-percent positive opinions

in November 1981 (just a month after the elections), Papandreou goes to 45 percent in June 1985, and reaches 40 percent a year and a half later (Chart 2). The fall in the prime minister's popularity seems to be due to losses of voters from both PASOK and the communist left (Chart 3).

It is also of interest that Khristos Sartzetakis' popularity also shows a corresponding trend, as if the fates of the two men are...connected. The difference is that, from the 63 percent he had at the time of his election, the president of the republic managed to reach 40 percent, losing 23 percent in only a year and a half (Chart 2). Sartzetakis' decline appears to be due exclusively to the PASOK voters' change of direction (Chart 4). Conversely, the president of the republic, as is shown in Chart 1, continues to gain the positive opinion of a significant part of the voters from the two communist parties. It should be noted, finally, that, as is shown in the same chart, Konstandinos Karamanlis remains the most popular Greek politician. However, also in the case of the former president of the republic, there is a continually downward trend, which starts from the highest percentage (56 percent) in April 1983 (when "relations with the president were excellent") and reaches the present 43 percent, which is the lowest percentage of popularity for Karamanlis, at least since 1979 when the last data exist (Chart 2). Finally, despite his general decline--and probably despite Mitsotakis' wishes--the former president of the republic's image is still untouched among ND voters, 95 percent of whom approve of him (Chart 5).

Mitsotakis' "Limited" Rise

In the meantime, thanks to ND's assiduous efforts, but also its recent electoral success, the "Bugbear's" popularity appears to be going up. From 29 percent in November 1985, a consequence of the creation of DIANA [Democratic Renewal], Konstandinos Mitsotakis now reaches 36 percent, trailing the prime minister by only 4 percentage points, when the difference at the time of his election to the ND leadership, in September 1984, was 20 points (51 percent versus 31 percent, see Chart 2). On the other hand, it should be underlined that the ND leader continues to be totally rejected by adherents of the other parties, since a positive opinion about him is expressed by only 3 percent of PASOK voters, 4 percent of KKE(Int) voters and 1 percent of KKE voters (Chart 1). So Mitsotakis' rise is due exclusively to a positive turn by ND voters (confirming the strengthening of his position in the party), but not at all by voters from PASOK or the communist left (Chart 6). For precisely this reason, this rise is relatively small and limited, a conclusion which makes it essential for the ND leader to continue and increase his reconciliatory gestures.

As concerns the remaining conservative leaders, Georgios Rallis seems to be stabilizing around 32 percent, Evangelos Averof, the only ND leader who never exceeded 32 percent after 1981, is moving at present to 28 percent, while a significant decrease is shown in the case of Kostis Stefanopoulos who went from 29 percent to 16 percent within a year. This drop seems to be owing to a negative turn by voters from both ND and PASOK (Chart 7).

Contrary to the...current and the party, Leonidas Kyrkos' popularity remains at high levels, in comparison with the low percentage of KKE(Int) voters. The party's secretary general seems to be stabilizing at 25 percent, after an abrupt fall from the 36 percent which was owing, to a significant degree, to his successful speeches in the June 1984 Euroelections (Chart 2). A more careful look,

however, at the party preferences of those expressing a positive opinion shows that the composition of the supporters is changing dramatically at the expense of EADE [National Antidictatorial Democratic Unity] and in favor of the array, since 35 percent of the PASOK voters, 33 percent of KKE voters, but only 5 percent of ND voters responded positively (Chart 8).

Finally, following by a "hairsbreadth" difference in popularity is Kharilaos Florakis (24 percent), who wins the positive opinions of 20 percent of PASOK voters, 11 percent of KKE(Int) voters and the overwhelming majority of KKE voters (98 percent), but only 1 percent of ND voters. There are no essential changes in the party preferences in comparison to former polls (Chart 9). The ND voters, in certain cases, may have voted in the second round for KKE candidates, but, as it appears concerning this behavior, it has "served" PASOK more, despite the KKE's new image, at least in the eyes of the Right....

Omissions of the Reshuffle

What is exceptionally interesting, however, is the popularity of present or former government officials, when, in fact, rarely do polls inquire into this side, which is "unseen" but important for intraparty correlations. As has been pointed out already, for Georgios Gennimatas, 43 percent of those questioned had a "very good or fairly good opinion," a rating which surpasses that of the prime minister by 3 percent. With 85 percent, he lags behind Andreas Papandreou by 2 percent in the positive opinions expressed by PASOK voters, but he shows high popularity ratings among the KKE (26 percent) and the KKE(Int) (25 percent) (Chart 10).

Following with a percentage equal to that of Papandreou are Kostas Laliotis and Giorgos Papandreou. The former, because of his...voluntary exit, gains only 74 percent of the PASOK voters, but he has more popularity than all the other PASOK officials among voters from the traditional left (50 percent among KKE(Int) and 31 percent among the KKE). The latter shows a noteworthy percentage of positive opinions among PASOK voters (80 percent), is fairly popular among KKE(Int) voters (21 percent) and less among KKE voters (7 percent), while he is more well-liked than all the other government officials under judgement by ND voters (12 percent).

Following at a hairsbreadth distance, with 39 percent, is Giannis Kharalambopoulos, while Tsokhatzopoulos, Koutsogiorgas and Tritsis attain 36 percent, with the last having a high popularity indicator (46 percent) among KKE(Int) voters. Conversely, for Kostas Simitis, who, along with Karolos Papoulias, has 33 percent, it appears that the effects of the economic crisis counted more, despite a serious and cool-headed political style which, in the past, had garnered the highest percentages of intraparty popularity for the present minister of national economy.

On the other hand, his predecessor, Gerasimos Arsenis, shows the highest percentage of acceptance among voters from the KKE (42 percent) but also ND (14 percent), thus outmaneuvering Laliotis and G. Papandreou, respectively. Finally, it should be noted that, with a rating of 25 percent, Andonis Drosogiannis is last on the list, with the positive opinions of 54 percent of PASOK voters, but only 4 percent of KKE voters, 0 percent of KKE(Int) voters and 6 percent of ND voters.

We could certainly broach the question of how the minister who is last in popularity--according to the poll--has, as a member of the "entourage," a greater

influence than those who are more popular. Both the question and the poll touch on essentially the main problem faced by the prime minister today. As was noted in a previous issue of ANDI, the recent reshuffle had taken into account the results of similar polls and mainly aimed at neutralizing the "dangerous" people, with the well-known effects, however, on public opinion. Of course, what is missing from the prime minister's total thinking is a policy, the charting of which could lead to the appropriate staffing with officials.

With his own logic about "people," if Andreas Papandreou wishes to increase his own popularity, he will have to actually reform his government, which is tantamount to using "dangerous," but also capable and popular, officials. If he does not wish to use these officials, in order to avoid a further rise in their popularity and influence, he will inevitably see his own popularity go down.

In the absence of a policy, the prime minister's problem is somewhat like squaring the circle....

CHART 1

Politicians' Popularity
(Do you have a very or fairly good opinion of someone)

	Sartzetakis	Karamanlis	Papandreou	Mitsotakis	Florakis	Rallis	Kyrkos	Averof	Stefanopoulos
Total	46	43	46	36	24	32	25	28	16
1985 Vote									
ND	5	95	3	92	1	74	5	72	32
PASOK	80	15	87	3	20	9	35	3	8
KKE(Int)	21	7	18	4	11	4	96	4	0
KKE	24	2	7	1	98	1	33	1	0

CHART 2

Politicians' Popularity																					
		PASOK Government															ND Govt.				
Month	Year	10	5	3	11	6	4	1	10	6	4	10	4	9	3	11	9	5	11	3	10
		86	86	86	85	85	85	85	84	84	84	83	83	82	82	81	81	81	80	80	79
Sartzetakis		40	45	42	50	56	63	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Karamanlis		43	47	50	53	46	45	50	52	54	49	54	56	50	52	46	44	57	57	60	64
Papandreou		40	43	42	44	45	47	44	51	52	50	55	53	59	68	69	64	67	56	60	56
Mitsotakis		36	35	34	29	35	34	31	31	*	*	*	*	*	*	*	*	*	*	21	14
Florakis		24	21	22	23	25	29	23	28	33	32	28	37	35	33	35	32	31	21	22	21
Rallis		32	30	31	32	34	34	25	29	31	22	23	23	22	21	18	27	29	35	25	23
Kyrkos		25	25	21	24	22	21	23	33	36	*	*	*	*	*	16	*	*	*	*	*
Averof		28	32	27	28	31	31	28	30	28	26	23	24	22	24	25	23	28	35	32	28
Stefanopoulos		16	23	17	29	*	*	*	*	*	*	*	*	*	*	17	*	*	*	*	*
* was not questioned																					

CHART 3

Papandreou's Popularity					
	10/86	5/86	3/86	11/85	6/85
Total	40	43	42	44	45
1985 Vote					
ND	3	2	1	6	2
PASOK	87	93	92	87	93
KKE	7	14	18	14	16

CHART 4

Sartzetakis' Popularity					
	10/86	5/86	3/86	11/85	6/85
Total	40	45	42	50	56
<u>1985 Vote</u>					
ND	5	1	3	9	7
PASOK	80	93	86	89	95
KKE	24	25	30	43	65

CHART 5

Karamanlis' Popularity					
	10/86	5/86	3/86	11/85	6/85
Total	43	47	50	53	46
<u>1985 Vote</u>					
ND	95	95	93	95	97
PASOK	15	28	33	34	20
KKE	2	0	7	7	3

CHART 6

Mitsotakis' Popularity					
	10/86	5/86	3/86	11/85	6/85
Total	36	35	34	29	35
<u>1985 Vote</u>					
ND	92	89	88	76	90
PASOK	3	5	4	2	3
KKE	1	0	1	1	0

CHART 7

Stefanopoulos' Popularity				
	10/86	5/86	3/86	11/85
Total	16	23	17	29
<u>1985 Vote</u>				
ND	32	45	31	57
PASOK	8	15	11	15
KKE	0	0	1	5

CHART 8

Kyrkos' Popularity					
	10/86	5/86	3/86	11/85	6/85
Total	25	25	21	24	22
1985 Vote					
ND	5	7	6	13	11
PASOK	35	35	30	27	28
KKE	33	12	20	14	8

CHART 9

Florakis' Popularity					
	10/86	5/86	3/86	11/85	6/85
Total	24	21	22	23	25
1985 Vote					
ND	1	0	1	4	0
PASOK	20	17	20	18	27
KKE	98	96	93	91	98

CHART 10

Popularity
(Do you have a very or fairly good opinion
of someone)

	Arsenis	Gennimatas	Drosogiannis	Koutsogiorgas	Lazaris	Laliotis	G. Papandreou	Papoulias	Simitis	Tritsis	Tsovolas	Tsokhatzopoulos	Kharalambopoulos
Total	33	43	25	36	28	40	40	33	33	36	29	36	39
1985 Vote													
ND	14	8	6	9	4	6	12	4	6	4	1	4	4
PASOK	47	85	54	72	60	74	80	72	72	72	66	78	83
KKE(Int)	32	25	0	18	14	50	21	18	11	46	11	32	25
KKE	42	26	4	10	8	31	7	12	7	14	9	8	14

KRYSTALLIS AFFAIR RESURFACES, INNOCENCE CLAIMED

Athens ETHNOS TIS KYRIAKIS in Greek 30 Nov 86 pp 10-11

[Text] The majority, in fact, the most serious charges levelled against multiple agent Ndanos Krystallis, after his police-novel arrest by the Security Unit in September 1985, were dropped, collapsing like a house of cards.

How and why did the serious charges collapse?

What did the detectives of the Security Unit and the officers of KYP declare before the examining magistrate?

What did Krystallis' "handler" at KYP, Giannis Alexakis, tell the examining magistrate? What the taciturn Alexakis actually said about the man he protects is being revealed for the first time.

Today, for the first time, the entire decision is being published in ETHNOS TIS KYRIAKIS. It is extremely revealing as regards the strange "tale" that was presented by the Security Unit at the time of Krystallis' arrest in September 1 year ago.

The Council of Misdemeanor Judges that acquitted Krystallis of the most serious charges with decision 3612/86 was composed of the following judges: Khristos Petropoulos (president); Eleftherios Roidis (examiner) and Panagiotis Komminakis (judge). Present at the meeting of the council were District Attorney Evth. Stamos and secretary Foteini Preza.

District Attorney Evthymios Stamos submitted to the council that:

There is insufficient evidence to determine that Krystallis is a bomber, or the accomplice of a bomber, because the information he provided about the placing of the bomb was part of his job as a KYP informer.

He could have obtained this information from any of his colleagues or friends. This, however, is not an essential element on which to base the commission of the crimes of which he is accused.

As regards the accusation of instigating the intentional homicide of VRADYNI's editor, G. Athanasiadis, there are too many doubts about the reliability of an

original typewritten statement that was found in Krystallis' home in which it is mentioned that "The outcome of the operation of the execution of Athanasiadis gave us this right, etc."

More specifically, from the depositions of Eleni, Eirini and Marieta Athanasiadis and Angela Kondogouri (nee Athanasiadis), no evidence emerged against Krystallis to incriminate him as the instigator of Athanasiadi's homicide.

No incriminating evidence emerges from the depositions of Kyriakos Papakhronis and Andonios Valavakis. The finding of this statement in the home of Krystallis does not prove that he instigated the homicide as it is possible that the statement may have been given to him by someone known to him for examination (not by KYP, according to I. Alexakis' deposition) or for his files as an informer.

However, even if we were to accept--Mr. Stamos points out--that it was he who wrote the communique on orders of a member of some organization or a colleague of his, that does not mean that he (Krystallis) instigated others to decide, and persuaded them, to murder G. Athanasiadis.

Regarding the charge of criminal conspiracy with which both Krystallis, Mbekhrakis and Tsitsilianos are charged, it was found to be groundless. Major General Stelios Tzanakis' deposition indicated that the three defendants met in cinemas and other places. Major General Tzanakis, however, testified that he had no knowledge of any specific illegal act resulting from their frequent meetings, which may have had an illegal purpose, but may have merely been friendly meetings.

Therefore--Mr. Stamos points out--there is insufficient evidence against Daniil Krystallis to prosecute him for the following charges: bombing, attempted bombing, assault with intent to murder a state office holder, attempted murder, instigation of intentional homicide and criminal conspiracy.

From the judicial standpoint, the testimony of four key witnesses was pivotal:

That of KYP's military director, Ioannis Alexakis, who stated that he had no evidence of terrorist activities by Krystallis;

That of EL.AS. Major General Stelios Tzanakis, who testified that he had no knowledge of any actual illegal act by the defendants;

That of Lt. General Georgios Politis, director of KYP, who testified that he did not have any strong evidence that could support the charges against Krystallis and his codefendants;

That of EL.AS, Lt. Colonel Panagiotis Khatzigiannis, chemist, who testified that bombs at the Pandeion [Polytechnic School] and the Athens Bar Association and the remaining bombs that were placed on 22 November 1984 as well as the bombs placed at ERT-1 (4 July 1984), at the intersection of Katekhakis and Mesogeion (1 December 1984) and at the City Bank (13 September 1985) were made with explosives that had no connection with the materials found in Krystallis' home.

From KYP director Ioannis Alexakis' testimony it was learned that Daniil Krystallis was a KYP informer and that he provided the information to Ioannis Alexakis about the placing of bombs at:

ERT-1, the morning of 4 July 1984,

The Pandeion School, November 1984,

The offices of the MESIMVRINI newspaper, November 1984,

The restaurant of Ath. Giannakopoulos at Votanikos, November 1984,

The offices of the Athens Bar Association, November 1984, where Eirini Georgakaki and Georgios Anyfandakis were injured,

The refreshment stand of the Irodou tou Attikou Theater, November 1984,

The intersection of Katekhakis and Mesogeion Streets where Kon Mitsotakis, leader of the official opposition, was to speak on 1 December 1984,

The Kypseli area where, during the night of 12-13 September 1985, two homemade explosive devices with timers exploded.

Because all of the above-mentioned information provided by Krystallis proved to be correct, the security authorities came to the conclusion that, in view of the fact that Krystallis knew the location of the bombs in advance and did not reveal his source of information or name the bombers, he was a suspect involved in the above-mentioned acts.

For this reason he was arrested by the Security Unit on 13 September 1985, after the explosion of the bombs in Kypseli.

The same witness (I. Alexakis) testified that he did not nor does he have any incriminating evidence as to Krystallis' terrorist activities.

Alexakis also testified that, in the case of the bomb at the Katekhaki intersection, as he generally did in all the bomb cases, he pressed Krystallis to reveal more details.

In addition, Krystallis would not tell him anything about the information or sources of information, alleging that he did not know and that he could not find out.

The names given by Daniil Krystallis are:

Katsoulis, 4th year Pandeion student. Regarding Katsoulis, he stated that, among other things, he placed the bomb at the Pandeion School.

Andonatos, whom Krystallis said had given him the information about the bomb placed at Katekhaki Street.

Paliatsos, a Piraeus physician. Alexakis testified that Krystallis gave him the information about the Kypseli bombs.

Alexakis additionally testified that it was proven by the ensuing investigation that Katsoulis and Andonatos have not been located and that they are unknown persons.

It was established that Paliatsos actually exists.

In his defense Daniil Krystallis alleged that he obtained the information from KYP and, as a matter of fact, from Ioannis Alexakis with orders to cross-check the information.

In addition, Krystallis alleged that it was from Alexakis that he obtained three original typewritten communiques and another from Kh. Petrakis, a KYP operative, for the purpose of examining them.

Regarding the explosive material found in his home, Krystallis alleges that he bought them on Alexakis' orders at a shop at 5 Anaxagoras Street because he wanted to learn about the making of explosives, a fact that would make his objective of collecting information easier.

Always, according to Krystallis' allegations during his defense, the gold bar, the jewels and the various electrical items that were found in his home and were seized had been given to him by KYP and Ioannis Alexakis as a reward for providing information.

In his testimony Ioannis Alexakis considered utterly false all of Krystallis' allegations and stated that neither he nor Kharidimos Petrakis ever gave him jewelry, gold bars or any other items or any printed matter and communiques.

Ioannis Alexakis testified that he paid Krystallis only in cash, in Greek currency, which fluctuated up to 20,000 drachmae per month until November 1983.

Afterwards he gave him up to 40,000 drachmae per month. Alexakis testified also that Krystallis had given him photostatic copies of certain communiques.

Found in Krystallis' home and seized were four original typewritten communiques that mention projected murders of various well-known individuals; five small propane cylinders similar to those used in the past to manufacture homemade explosive devices; several gold coins, one gold bar, one radiotelephone, a video, cameras and a radio communications set capable of mobile naval communications (ship to shore, shore to ship, and ship to ship).

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CSO 3521/44

PCI'S NAPOLITANO VIEWS REFORM IN USSR

PM131016 Rome L'ESPRESSO in Italian 11 Jan 87 pp 14-16

[Interview with PCI International Department chief Giorgio Napolitano by Antonio Gambino; date, place not given]

[Excerpts] The year 1986 was a particularly eventful one on the international scene: It is enough to consider the failure of the Reykjavik summit or events--such as Irangate or Andrey Sakharov's release--which, despite their specific domestic origins, have evident repercussions beyond the superpowers too. We asked PCI International Department chief Giorgio Napolitano which aspect of last year struck him and interested him most.

"I believe," Napolitano said, "that the most significant aspect of the past year's events was undoubtedly the emergence of a more concrete possibility of understanding between the USSR and the United States capable of initiating a new phase of detente and disarmament. However, 1986 was also an extraordinary and controversial year: It started with the major expectations created by the November 1985 Geneva summit but then for long months saw a sequence of conflicting signs so that before Reykjavik all prospects of an accord seemed blocked. I would also say that the whole of the year was strongly marked by Gorbachev's initiatives, characterized by a capacity for making proposals and by a dynamism inconceivable during the Brezhnev years and during the subsequent transitional phases. On the other hand the clumsy and contradictory nature of the present American administration's line of conduct was clearly apparent, especially at Reykjavik."

[Gambino] We must talk more about Reykjavik later. Let us concentrate for a moment on Gorbachev's initiatives and especially Sakharov's release, which has rightly been universally regarded as a major event capable of having profound repercussions abroad as well. Let us consider two questions: 1--What exactly are the Soviet leader's plans? 2--How strong is he, and therefore how able is he to carry them out?

[Napolitano] In view of the range and determined nature of Gorbachev's decisions, the impression is that we are witnessing something that was pondered in depth and at length. When we are better acquainted with what happened during the years following Brezhnev's demise we will perhaps realize that they were partly a period of serious deliberation and preparation on the part of an embryonic new leadership group within which Gorbachev was in the

forefront. I believe that in view of the degree of stagnation and the very serious crisis to which the USSR had been brought, those men reached radical conclusions embracing all spheres of Soviet life, from government organization to foreign policy. I do not mean by this that there is already a specific and entirely consistent blueprint for reform. But the course that has been set is very sharply defined and really very bold.

[Gambino] How does Sakharov's release--which seems to me a gesture of renewal and almost a challenge not dissimilar to the famous report on Stalin that Khrushchev read to the 20th Congress in February 1956--fit into this picture?

[Napolitano] The decision regarding Sakharov really is a leap forward. Indeed until a few days ago it was possible to wonder whether Gorbachev's renewal approach, which had manifested itself in economic and foreign policy, would extend as far as to induce him to tackle the issue of political and cultural dissidence and of civil and human rights in the USSR. In other words, it was possible to believe that this borderline would not be crossed, at least for the present. I am the first to acknowledge that these problems cannot be resolved by a series of acts, however significant, granting freedom of movement to this or that individual or the annulment of sentences or prison terms for this or that dissident: It is necessary to alter rules and forms of conduct that have become so consolidated in the USSR as to constitute what is definitely a prominent characteristic of the Soviet regime. But the point is that this issue is now on the agenda, because when you suddenly abandon a propagandist and ideological campaign against the most distinguished of dissidents that has lasted for years; when someone like Sakharov is again acknowledged as a distinguished scientist and respectable citizen and in fact an interlocutor of the CPSU leader; and when, last, this move is accompanied by others affecting less well-known people, then a trend has begun that cannot be reversed.

[Gambino] To what extent are foreign policy considerations encouraging Gorbachev along this path?

[Napolitano] I believe that an external component is undoubtedly involved. That is, I believe that it has at last been realized by the new Soviet leadership group that the USSR's international image will inevitably remain tarnished until it provides an increasingly satisfactory answer to questions of this kind. The decision to free Sakharov must, however, also be viewed within the context of domestic issues, that is, as an attempt to establish a different kind of rapport with intellectuals, with a view to increasing the political and cultural consensus that Gorbachev unquestionably needs to win the battle for renewal.

[Gambino] Is this in order to ensure that the CPSU's middle cadres, apparently still providing stubborn resistance, are in a minority?

[Napolitano] Yes, indeed, to eliminate a number of crystallizations of power in both the political and the cultural fields. Matters unquestionably become more complex here because it is not easy to say what should be regarded as "political reforms" in a country such as the USSR. In other words, this

problem obviously cannot be resolved by means of more or less stereotyped formulas, such as that of imparting a new boost to the role of the Soviets or that of a "further democratization" of the Soviet system. The least that can be said is that serious steps forward in this field can only be made through the granting of scope for real autonomy for culture, freedom of personal opinion, and the right to express political disagreement.

[Gambino] You spoke earlier of a reappraisal of the USSR's international image, whose credibility has been diminished by the repressive nature of its regime. Do you not believe that if Gorbachev really wants to achieve this result it is also necessary to tackle the issue of a transformation of relations between the Soviet Union and the East European countries?

[Napolitano] I believe that the present Soviet leadership group is tackling this issue--not only because the USSR's international credibility is partly dependent on it but for another reason too. That is, Gorbachev and his aides cannot be unaware that the Soviet Union can only reform its economy within the context of a transformation of the production and social systems of the whole of eastern Europe: Hence their evident interest in Hungary's economic reform. In that case it is necessary to grant those countries a much greater autonomy of research and initiative and to permit genuine political and cultural flexibility within each of them, for the sake of their political stability itself. Indeed, the Moscow Government cannot fail to be wondering whether it is more risky to try to maintain the situation in eastern Europe as it is rather than to facilitate even a profound reform there.

[Gambino] When West Europe assesses Soviet leaders' remarks--for instance their military proposals, which have for some time often been worthy of attention--it must not forget that none of the East European regimes, including Hungary's, would survive a single day without the [?] Red Army. The presence of damaging effect of this on any projected dialogue between Moscow and the EEC countries is a definite fact.

[Napolitano] I see a definite link between the possibility of new relations between the USSR and its allies and the chances for establishing of a new political course in the Soviet Union. A positive evolution of Soviet society that granted it a new power of attraction and new political and cultural prestige with respect to eastern Europe would in fact enable Soviet leaders to adopt a different and more flexible approach to their relations with the Warsaw Pact countries--without fearing the disruptive effects, from the viewpoint of the balance between the blocs, that have hitherto constituted an obsessive concern for them.

[Gambino] Until recently most American citizens seemed clearly to support Reagan, for a very simple reason: Reagan reflected the nationalistic state of mind that has for several years dominated the U.S. public. Irangate has upset all this. But to what extent? And with what results? It seems to me that the situation is very unclear. There is one pressing question: Can West Europe continue placing absolute trust in such a confused country?

[Napolitano] I agree that it is impossible to make any serious forecasts about what Irangate's ultimate consequences could be. But let us consider the

question of Europe. The prospect of a disarmament accord, which dominated so much of 1986, objectively raised the question of whether it would in fact have confirmed the domination of international relations by two poles. Be that as it may, Europe was virtually not to be heard in these negotiations, whereas others did make their voices heard--China, for instance, and the nonaligned leaders. The year 1986 ended with the greatest uncertainty with regard to U.S.-USSR relations and a pressing need to impart a new boost to Europe's role--not only because of the need to break the bipolar mold but also for the sake of the resumption of the detente process as a whole. It is all too easy to see that this need for Europe's greater involvement is obstructed by long-standing forms of resistance and submission. But I believe that this is a task that cannot be shirked and that the forces of the Western Left can contribute greatly to its performance.

[Gambino] How?

[Napolitano] By creating a European pillar or pole with regard to the definition of Atlantic Pact doctrines and options, including military options. It is a matter of regenerating relations within the alliance so as on the one hand to exclude the extension of its commitments beyond the treaty's original scope and on the other to help West Europe identify its own defense requirements more independently and shoulder increasing responsibility.

[Gambino] Hitherto Europe has accepted the "threat definition" given by the Americans, often with very negative consequences. Sometimes it seems to me that even Italian Communists, having long been violently anti-Atlantic, display an excessive tendency to act solely within the NATO framework.

[Napolitano] I believe it is of fundamental importance to conduct an inter-European dialogue, partly because it will permit the dialogue to be extended to nonaligned countries such as Sweden and Yugoslavia. As for our emphasis on the Atlantic framework, it is justified by the need to respond to two possible misunderstandings--that of an ideological opposition to the United States and that of a confusion of values between the two halves of Europe, as they have taken shape over the decades.

[Gambino] So is your aim in emphasizing the Atlantic framework clearly to confirm a choice of camp?

[Napolitano] We wish to confirm the PCI's option fully to identify with West European society's values of democracy and pluralism.

[Gambino] But in order to do this it is not necessary to take the United States as the reference point. It would be enough to stress these values.

[Napolitano] This is true. But it is also true that as long as their blocs remain there will be politico-military interdependence between the two sides of the Atlantic and that we have to take account of this situation.

/9716

CSO: 3528/63

TENSION GROWS BETWEEN FRG LAENDER, BONN OVER EC POLICIES

Frankfurt FRANKFURTER ALLGEMEINE ZEITUNG in German 27 Oct 86 p 12

[Article by Peter Hort: "The German Dozen Will Soon Be Complete--Why More and More FRG Laender Are Moving to Brussels"]

[Text] Brussels, 26 October--On Tuesday, North Rhine-Westphalia will open an agency in Brussels. In doing so, Prime Minister Rau, who is going to the "capital of Europe" for the occasion, is reaffirming the importance that the most populous FRG Land accords to the European institutions. Mayor Dohnanyi of Hamburg and Minister President Lafontaine of Saarland have already done this before him; Baden-Wuerttemberg, Bavaria, and Rhineland-Palatinate will be the next to follow. Without doubt, it will not take much longer until all 11 FRG Laender have settled into their own offices with the European agencies.

The growing presence of the Laender in Brussels is the visible expression of a long smouldering conflict between the Laender and Bonn over better participation by the Laender in Bonn's European policy. This struggle, which dates from the fifties, has unexpectedly broken out violently with the Uniform European Act, not yet ratified in the Bundestag; it even threatens to become a constitutional battle. On Friday of this week, Federal Chancellor Kohl and Minister President Strauss will try to reach a compromise on an "appropriate" role for the Laender in the Federal government's European policy and settle the quarrel that for months has been earning the Germans malicious commentary in Brussels.

Even if the EC Commission has preferred to take a patient attitude up till now, a certain uncertainty is unmistakable in the upper stories of the Berlaymont building. "Again, we simply do not know what the Germans really want and where we stand with them"--this statement expresses the feelings of many in the commission regarding the imminent appearance in Brussels of the 11 Laender and the Federal government as a dozen. While Foreign Minister Genscher and others fear not without cause a weakening of the German position in the institutions if the FRG were suddenly to speak with many mouths, others instead judge it in terms of federalism: The Laender's offices would represent a good piece of Germany in Brussels and could go into certain of the Laender's interests much more "purposefully" and rapidly than the Foreign Office and the permanent delegation are able to.

The pivotal and central point of the recurring conflict over the Laender voice in the FRG's European policy is the FRG's structure, unique within the EC, as a federally organized state. No other country in the community of twelve is decentrally organized so that there are many centers where decisions and objectives are formulated instead of one. Time and time again, this system, scarcely comprehensible to most EC members, has encouraged the Laender, always watchful to protect their influence, to grab on to more than just the coattails of European policy. Thus, Rau, when he opens "his" office in Brussels, may be reminded by coworkers versed in history that as early as 1951, North Rhine-Westphalia had wanted to force an amendment to the law approving ratification of the Montanunion Treaty, which stated that FRG directives could only be issued after consultations in what would be a newly-formed committee of the Bundesrat. This demand, repeated in 1957 at the ratification of the Treaty of Rome and similar to the Laender's current requests, was twice rejected due to considerations of constitutional law and because of a lack of practicality.

The Laender do not dispute that the FRG has assured them again and again of the consideration of their interests in European policy, most recently in correspondence between the federal chancellor and the chairman of the 1979 Conference of Minister Presidents. The situation changed, however, with the Uniform European Act, which was formally passed in Luxembourg in February 1986. After years of stagnation, the Community has now taken the first step towards the European Union with completion of the internal market by 1992, realization of the "technological community," and a joint policy on the environment. That this step is tied to a noticeable even painful "migration" of national jurisdiction towards Brussels can be seen not least of all in the majority principle that will hold in the future: The FRG government will have to reckon with being outvoted even in matters of vital interest.

It is thus understandable that all the Laender fear growing intrusions by a distant, centralist-oriented "Euro-bureaucracy" and so the loss of part of the tried and tested federal order. Or, in the words of the Bavarian Bundesrat Minister Schmidhuber: "We must now decide which model further EC development should follow--a hierarchical, bureaucratic, centralist model or a free, subsidiary, federalistic one." This may sound exaggerated, but in essence the Uniform European Act also leads to the question of which criteria the European want to follow in organizing closer ties with one another.

The Germans do not need to hide behind their federalism in Brussels. For the only model that can be considered for Europe of the year 2000 is a sort of federation of states that gives its population and language groups, its regions and provinces sufficient leeway for their own development. Only in the small, easily comprehensible community will the citizens be able to view Europe as a piece of home. If the Laender's offices in Brussels were to contribute to sharpening this awareness and otherwise confine themselves to obtaining information for their cabinets from the commission, no one could hold anything against them. After all, there are some 20 American states active in Brussels, alongside Washington's EC embassy, and the central state of Italy maintains a separate "Mezzogiorno office" as a lobby for southern Italy.

So, the FRG foreign minister will have to be gently contradicted for recently having taken the position that German federalism must stop at the borders of

the FRG. The Laender's offices in Brussels should not take on the FRG's responsibilities; they have no diplomatic status and they are not authorized for "auxiliary foreign policy". Nor, independent of the outcome of the legal battle over the "process of participation by the Laender," ought they hinder the FRG foreign minister in Brussels. But it is likewise indisputable that, with the realization of the Uniform European Act, part of German foreign policy will become European internal policy. And so the Laender will be part of the game in Brussels--whether Bonn likes it or not.

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SURPLUS IN SOVIET TRADE ACCOUNT INCREASED IN 1986

Trade Cutback Predicted

Helsinki HUFVUDSTADSBLADET in Swedish 18 Dec 86 p 14

[Text] The surplus in Finland's trade with the Soviet Union will amount to around 600 million rubles this year (approximately 4.3 billion Finnish marks). Only 300 million rubles have been transferred to a special account. The Bank of Finland has finalized the repayment and interest details. The national bank is just waiting for Soviet confirmation.

Bank director Pentti Uusivirta of the Bank of Finland led the talks on how to finance the surplus. He said that Finland has a number of alternatives to protect itself against the risk of exchange rate losses and is now just waiting for Soviet confirmation.

The most negative aspect of the big surplus, of course, is the risk it involves for the Finnish export sector.

"If imported goods cannot be found, exports will have to be cut back," Uusivirta pointed out.

Theoretical Drawbacks

"Theoretically one can also see drawbacks in the fact that there are over 4 billion marks on the domestic market that have no counterpart in imported goods. The Bank of Finland has paid out billions to industries that export goods to the Soviet Union. But the bank has not received similar amounts from import firms. All Finns are paying for this imbalance," Pentti Uusivirta noted.

The model for financing the 1986 surplus will be signed at the same time as the protocol on next year's trade. The protocol is actually ready, it has just not been decided when the agreement will be signed.

The choice lies between signing the agreement in the next few days or waiting until government leader Nikolay Ryzhkov visits Finland in early January. It is clear that trade will be around 10 percent lower next year than the level

reached this year. The value of exports will be around 16 billion marks this year and the value of imports is expected to be around 12 billion marks.

'Situation Difficult; Not Hopeless'

Helsinki HUFVUDSTADSBLADET in Swedish 19 Dec 86 p 2

[Editorial by Inger Jagerhorn: "Not the First Imbalance"; first paragraph is HUFVUDSTADSBLADET introduction]

[Text] We are still living in a period of uncertainty before the 1987 trade protocol that has been agreed on by Finland and the Soviet Union is signed. The situation is difficult, but no longer hopeless, according to Inger Jagerhorn.

This week the negotiations on the protocol concerning trade between Finland and the Soviet Union next year were completed. This means that exports and imports for 1987 have been spelled out. This was done within the framework of the current 5-year trade agreement.

The actual result of these talks is not yet official. The signatures are still lacking. In part this is a technical question of whether the agreement will be signed before the end of the year or later on and the matter is clear as far as Finland is concerned, but as long as the Soviet Union has not signed the agreement no one is prepared to go into details. But everyone is hopeful and believes that the proposed agreement will be approved.

The discouragement that spread during the year among Finnish exporters to the Soviet Union and the quite violent political moves that ensued and further intensified their unrest seem to have died down. The situation now appears to be difficult, but it is no longer hopeless. There is a marked determination on both sides to reach a satisfactory agreement.

The fact that Finnish exports to the Soviet Union now show a 4 billion mark surplus (back in the summer people thought it might even be 5 billion marks) represents a sharp imbalance in a trade that we have agreed should be in balance. The Bank of Finland is financing the imbalance by paying our exporters without having received the money yet from the Soviet central bank. Four billion in financing--that represents 1,000 marks per Finn, including old people and children.

Alarming? Yes, but if we compare this with the export credits Finland grants in trade with the West, the amount is about the same. However the interest westerners pay on their debt to us is higher than that paid on the Soviet-Finnish clearing account.

However the current faltering balance is not unique. As recently as 1980-81 there was also a sharp imbalance in Soviet trade--but then it was in the opposite direction. The big increase in oil prices in 1979 led to a big import surplus.

But there is an important difference. It was easier for Finland with its diversified export products to find new sales outlets quickly on an enormous Soviet market than it is for the Soviet Union to increase exports now to our small market, especially because a single product, oil, has been so dominant.

And if our export firms complain they would do well to remember that it was the increased exports to the Soviet Union that won us the nickname of the "Japanese of the North" a few years back. That is what helped us over the decline in the western markets in the wake of sharply rising oil prices. Everything has a price and we are paying that price now.

When people juggle with percentages and say that exports to the Soviet Union are falling while exports to the West have not increased at the same rate, they forget that the starting points are different: our exports to the Soviet Union make up around 20 percent of our total exports while those to Western Europe represent around 60 percent.

For the metal industry, for example, this means that an 18 percent decline on the Soviet market can be offset in practice by a 10 percent increase on western markets. This is precisely the kind of upward adjustment that we saw in 1986. Of course different firms find themselves in different situations, the percentage just shows the picture as a whole.

The situation next year does not just depend on whether the protocol that has been negotiated is signed or not. It continues to depend on oil price developments. We would hit the jackpot if oil prices rise to \$18 a barrel and at the same time Neste succeeds in selling its growing trading sector at a good price on the open western market. Then we could hope for exports of over 2 billion rubles next year (compared with 2.3 billion this year).

The way things are now our exports next year will amount to 1.9 billion rubles (including a "nest egg" of 400 million rubles already weighing the balance for next year's exports in the form of advance payments for ships).

A simple rule of thumb in trade with the Soviet Union is that a change of \$1 a barrel in the price of oil corresponds to 400 million marks in our trade with the Soviets. A price increase to \$18 from the current level of around \$14 would therefore mean an increase of around 220 million rubles (roughly 1.6 billion marks) in Finnish exports.

In the search for new solutions companies that share the risks, joint ventures, have been presented as a new alternative. The discussions here have taken place primarily between companies, but there have been and continue to be great difficulties. As far as we know the Soviet Union has not yet formed a single joint venture with any market economy country.

What the terms should be, which system to use, how profits should be divided, who would own production equipment and land (presumably the state in the case of the Soviet Union), how to get profits here when it is forbidden to take rubles out of the country and they cannot be converted to free currency

without paying a 20 percent penalty--all these are major stumbling blocks in the discussions.

The models proposed by Finland have not yet won approval, while the Soviets have talked of 51-49 percent ownership in favor of the Soviet Union without being very specific about other conditions. It will probably take some time before the many unsolved matters are cleared up. Finland has indicated that there might be some advantages in being first in this respect but that there could also be drawbacks in serving as guinea pigs.

Another thing that makes the situation unusual--problematic, according to the pessimists, exciting, according to the optimists--is the restructuring of Soviet foreign trade that has now begun. The Soviets want to give up the dual price system that now exists on the domestic and export markets, they want to reduce bureaucracy and increase the opportunities companies have to act on their own and increase the importance of banks as financing agents. Volume mentality will be replaced by efficiency and greater flexibility in planning.

This is a slow process with many pitfalls, of course. But it can further increase the interest of the Soviet Union in blazing new trails in its trade with Finland, which has long been a solid and reliable trading partner. This is an opportunity we should not miss.

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FINLAND-USSR: JOINT VENTURES, FARM EXPORT, KOLA PROJECT

Business Leaders To Moscow

Helsinki HELSINGIN SANOMAT in Finnish 25 Nov 86 p 27

[Article: "Joint-Venture Projects Accelerated: Two Company Manager Delegations Negotiating in Moscow"]

[Text] Moscow (STT)--The week that is starting promises Finnish businessmen who trade with the Soviet Union brisk action in Moscow. During the next few days at least two delegations of Finnish company managers will be negotiating with Soviet officials. As for Foreign Trade Minister Jermu Laine, he will be on a quick visit to Moscow on Thursday and Friday.

The negotiations were arranged for beforehand at the Soviet trade agency in Helsinki. The Finnish Embassy in Moscow had only little to do with the matter.

The purpose of the visits is to accelerate so-called joint-venture projects with the Finns. The idea of joint ventures in the Soviet Union's foreign trade received new impetus in September when the Soviet Government decided to reorganize the entire Foreign Trade Ministry and make it easier for production plants to directly engage in foreign trade with foreign customers. Up to now trade has been conducted via the Foreign Trade Ministry and the whole enormous machinery of the foreign trade organizations.

The reform that is now being effected also includes joint-venture projects, which were not possible before on a larger scale.

Soviet officials do need some preliminary joint-venture-type projects to demonstrate that they actually work and it is only natural to begin collaboration first of all with trusted friends like the Finns.

Another reason that speaks in favor of Finland is the *soviet Union's big deficit in its trade with Finland. Joint ventures can be used to balance trade.

This reorganization of the entire Soviet Foreign Trade Ministry is not in itself strange. For years now foreign businessmen have been exasperated by the incredibly cumbersome Soviet trade bureaucracy.

Soviet officials have finally themselves realized that things are not on the right track. In September the government issued a decree concerning reshuffling in the Foreign Trade Ministry, but it is only now that it has publicly begun to talk about which shoe is too tight.

"Poor Ability to Compete and Poor Quality"

Three economists have analyzed foreign trade problems in the latest issue of the English-language MOSCOW NEWS. One of them, Oleg Bogomolov, states that one reason why the Soviet Union occupies such a minor position in world trade is its outmoded Foreign Trade Ministry and Soviet products' poor ability to compete and their poor quality.

Another writer, Vladimir Shastiko, blames excessively overbearing centralization for the situation. According to him, this has led to a situation in which the Foreign Trade Ministry has lost contact with the businesses whose products it sells.

"The situation is now such that businesses are not even interested in manufacturing products for export because it only leads to new problems," Shastiko states. Foreign trade officials, on the other hand, are not interested in what they sell and they have just as little interest in the products they buy, they say in the article.

The writers go on to say that businesses that have not themselves "earned" the equipment they import from abroad, but have received it "as a gift," have let it lie about in corners unused for years until it is finally marked for disposal. Every year so many of these cases come to light that the amount involved comes to millions of rubles in foreign exchange.

A lack of product development is still blamed. Indifference in connection with product development has led to a situation in which the percentage of Soviet exports fuels, electricity and raw materials account for has grown and the percentage accounted for by machines has diminished.

By way of example, we cite the fact that, while machines' share of exports was over 20 percent in 1960, it was only 12.5 percent last year. During the same period the percentage accounted for by fuels and raw materials grew from 16.2 percent to 54.4 percent.

Joint Ventures Negotiations Symbolic

Helsinki HELSINGIN SANOMAT in Finnish 28 Nov 86 p 40

[Article by Kustaa Hulkko]

[Text] Moscow--On Thursday Foreign Trade Minister Jermu Laine discussed Finnish-Soviet joint ventures with Soviet economy leaders. Held in the

Kremlin in Moscow, the discussion was the first high-level get-together between the two governments on joint-venture matters.

The discussion did not produce any concrete results. Laine said that they only preliminarily charted joint-venture possibilities at the meeting in Moscow. He said that he thought it was possible that the first mixed companies would not materialize before a year or two.

Trade negotiations were also continued in Moscow on Thursday. Practically speaking, Finland and the Soviet Union have already agreed on import and export quotas. The Soviet Union has promised new imports by as early as this week.

According to the information obtained by HELSINGIN SANOMAT, Finland's agricultural exports will not suffer very heavily from cutbacks. There are worse problems with some small export quotas, for example, with wallpaper and socks exports.

The negotiations will continue on Friday. A plenary session is also on the agenda in addition to the meeting of the chairmen.

Economic Leaders Receive Laine

On Thursday Laine met with Gosplan [State Planning Committee] chairman Nikolay Talyzin, who is also a deputy chairman of the Soviet Government.

Deputy Chairman for Joint Ventures Vladimir Gusev, Economic Foreign Relations Committee (GKES) Chairman Konstantin Katushev, Deputy Foreign Trade Minister V.I. Vorontsov, Soviet trade representative in Helsinki V.D. Pugin and Foreign Ministry Auxiliary Department head Yuriy Deryabin also hosted the discussion. The heads of the Chemical, Nonferrous Metals and Metal Industry Ministries were also present.

Ambassador Aarno Karhilo, bank director Pentti Uusivirta and ministerial advisor Pekka Oinonen represented Finland in addition to Laine. A large, prestigious group represented business firms and organizations: Niilo Hakkarainen of United Paper Mills, Matti Pekkanen of the Forest Industry Association, Eero Rantala of EKA [not further identified], Harri Hintikka of Polar, Jaakko Ihamuotila of Neste [state oil company], Pertti Voutilainen of Outokumpu, Gunnar Korhonen of Finnair, Tauno Matomaki of Rauma-Repola, Tankmar Horn of Wartsila and Yrjo Huttunen of Kemira.

Already Negotiating at Company Level

Laine said that both parties primarily presented ideas as to what the basic models for joint venture might be. He said that negotiations on joint ventures will now shift to the company level. The key industries in connection with this are the forest, chemical and food industries.

In Moscow Asko Tarkka, the general manager of the Huhtamaki combine, among other things confirmed the fact that his company is right now engaged in joint venture negotiations. Huhtamaki has already collaborated with the Soviet Union before this, in the manufacture of sparkling wines and medicines.

According to Horn, Ihamuotila and Matomaki, Wartsila, Neste and Rauma-Repola are also engaged in negotiations in a similar way. We knew even before that EKA and Enso have been discussing the creation of joint ventures with the Soviet Union.

Construction companies, for example, Finn-Stroi and Perusyhtyma [Basic Combine], have also charted potential joint ventures with the Soviet Union.

Laine said that their shifting to high-level technology in the Soviet Union is of particular interest to Finland in connection with joint ventures.

The Soviet Union in principle assumes that its foreign partners will hold no more than 49 percent of the venture's capital. The general manager would be a Soviet, but the technical and, for example, marketing managers could be from Finland. The financing of a joint venture could, according to Laine, be handled by resorting to international credit markets.

Profits could be returned to Finland. The bad side of a joint venture would be that minority stockholders would also be responsible for any losses.

Both Parties Lay Emphasis on Initiative

In Moscow they feel that the present phase of the joint-venture initiative is very far from concrete realization. The high-level representatives of both parties nevertheless see in the preliminary discussions a sign that the matter is considered to be very important.

Laine, however, stressed the fact that joint ventures will not replace other forms of economic cooperation, for example, compensation deals.

The Soviet Union has already begun to negotiate on joint ventures with other Western countries, ever since its foreign exchange revenue obtained from oil sales plummeted this year. In addition to Finland, West Germany, Italy, France, the United States and Japan are participating in negotiations.

Nordic Countries to Compete for Kola

Helsinki UUSI SUOMI in Finnish 27 Nov 86 pp 3, 23

[Article by Ilkka Lampi]

[Text] Moscow--The Soviet Union wants the other Nordic countries in on the exploitation of the Kola mineral reserves along with Finland. In a Kola Committee report signed yesterday in Moscow, they say that the participation of the other Nordic countries is an important condition for the Kola Project.

In an UUSI SUOMI interview Outokumpu general manager Pentti Voutilainen, who headed the Kola Committee, expressed the opinion that Norway and Sweden are one lap behind the Finns in their preparations for the mining project.

The Soviet position of getting the other Nordic countries to participate in the Kola Project along with Finland is interpreted as an attempt to get the Nordic countries to compete with one another. The Finns hope that they will obtain a leading role in the massive Kola Project.

The Soviet Union regards the participation of the other Nordic countries in the projects to exploit the Kola mineral reserves as an important condition. The first 17 project targets are specified in the first Kola Committee report, which was signed in Moscow on Wednesday.

"Finnish power reserves will not alone be sufficient for the projects to exploit the mineral reserves of the entire Kola Peninsula," Deputy Director Yuriy Piskulov of the Soviet Foreign Trade Ministry's Western Trade Department emphasized on the same occasion.

"As we see it, Norway and Sweden are interested in the projects, but they are one lap behind. We Finns would certainly have a leading role in their execution," Outokumpu Oy general manager, industrialist Pertti Voutilainen, stated to UUSI SUOMI in Moscow.

"Their execution will be settled on a project-by-project basis. It has now been stipulated what the Kola Project means and the first 17 projects, which interest both parties, have been listed," general manager Voutilainen, who headed the committee for the Finnish side, stated.

The Kola Committee has submitted its report to the Economic Commission representing both countries. The Economic Commission and the companies involved are now studying ways of executing the projects and timetables.

The 17 projects listed include projects relating to the modernization of now operating production plants as well as entirely new projects. Some are included in matters to be taken care of in the near future and some are to be acted on during the next decade.

The exploitation of the Kola mineral reserves is a program of objectives included in Soviet economic plans which will extend over many 5-year periods and far into the next millenium.

Outokumpu, for example, concluded an agreement as early as 2 weeks ago to supply a new plant for the ore-concentration complex already in operation on Kola.

Included in those projects to be completed in the near future are, among others, the refining of ores left unrefined and unused in the separation process for apatite and the development of new products. Raw materials for the construction and chemical industries can be developed from these ores.

Of the Finnish companies aside from Outokumpu, Partek, Rautaruukki and Kemira are preparing for Kola projects.

By laying emphasis on the indispensability of the other Nordic countries' participation, the Soviet partner is in a way getting Nordic companies to compete with one another.

On the other hand, in the Soviet union they have been considering an effort to increase long-term economic cooperation with Norway and Sweden.

Among other Swedish firms, Boliden, Atlas Copco, Asea and Nobel Chemicals and, among other Norwegian firms, the biggest mining companies have expressed their interest.

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PRIVATIZATION, STATE ROLE IN NATIONAL ECONOMY CONSIDERED

Issue of State Companies

Helsinki HELSINGIN SANOMAT in Finnish 23 Nov 86 p 2

[Editorial: "State Companies Get People to Talk"]

[Text] Opinions are beginning to mature to the extent that it is felt that the state's role in the national economy ought to be thoroughly weighed during the next few years. The basic question is: By means of what sort of contribution is the state participating in economic activities and are funds now invested in the right places? It is more and more often being conceded that the state could sell some of the companies it at present owns or their subsidiary activities to private firms.

Prof Pentti Kouri is of the opinion that the funds obtained from the sale of state companies might be used for the improvement of the higher education establishment and other school systems, for environmental protection and for the funding of a tax reform that would provide a work incentive. The state's role in the economy would thus become smaller. Functions which the state otherwise possesses could be funded with the proceeds of the sale.

Pekka Korpinen, the head of the Workers Economic Research Institute, also supports to the surprise of many people extensive privatization of the present state companies. In his opinion, we should establish a large fund with the proceeds of the sale, one which would channel money to those business sectors in which private firms may not have sufficient capital and know how. "Since operations would be launched successfully, the firm would be sold off after a while and the profits from the sale would be reinvested in a new business venture," Korpinen proposed.

According to Korpinen's model, the percentage of the state's contribution to the economy would remain unchanged, but it would unlike the way it is now be focused on economic activities that create something new. The model is indeed in keeping with those ideas on the basis of which the state companies were originally created. Korpinen's outline will probably not give rise to an ideological controversy against privatization of the state companies either.

Discussion of this subject matter has, however, only just begun. Not all the state companies are by a long shot even in salable condition. And if sales are actually at some time effected, everyone will certainly have to be informed how the capital gains and property taxes are to be handled in the long run.

Brisk Sale of Companies Urged

Helsinki HELSINGIN SANOMAT in Finnish 25 Nov 86 pp 3, 26

[Article by Finance Minister Esko Ollila (Center Party), the chairman of the board of the state company, Enso Gutzeit: "Ollila Would Chop Up State Company Subsidiaries into Private Companies"]

[Text] According to Finance Minister Esko Ollila, the role of the state companies must be made clear. According to Ollila, who is a member of the Center Party, the government that is formed after the elections will have to make important decisions on the status of the state companies.

In Ollila's opinion, state company subsidiaries should be chopped up into small companies and the superfluous ones sold to private firms.

Ollila feels that a prime example of this is Alko [state liquor monopoly], which now wants to manufacture fodder, but is not willing to sell its restaurants to private firms.

Ollila would also clarify the administration of the state companies. Instead of being headed by ministers, the role of the boards of directors should be strengthened. If this does not happen, the functions of the boards of directors should be completely reevaluated.

The finance minister would also admit the state companies to the stock exchange.

Minister Ollila presents his opinion on the state companies in the new guest writer column of the Tuesday economic section [of this newspaper].

In Finland the state companies have enjoyed exceptionally widespread esteem in comparison with those of many other countries. The reason is obvious: Here in Finland the state companies were not formed through nationalization, but to meet national needs.

The state companies have just not been a threat to private companies' opportunities; quite the contrary, they have complemented them by going into businesses which private capital has either not wanted or been able to handle.

The state companies' notion of activities has changed over the decades. Neste Oy, the state oil company, busily operates in the battery industry, the plastics industry and even with service stations, in addition to which it is the biggest shipping company in the country.

Alko was founded to produce liquor and to supervise the use of liquor in the field of nutrition. With its two chains of restaurants, however, Alko is one of the biggest operators in the industry, in addition to which Alko wants to go into fodder production, among other ventures.

The situation can be particularly troublesome from the standpoint of the state companies. Since the state expects commercially profitable operations of its own companies, this also means that a state company must develop, grow and modernize.

The state's perpetual shortage of funds forces it to order capital stock increases only for what is absolutely indispensable. The basis on which they operate must be that the state companies may not expand into sectors other than those necessary from the standpoint of their basic functions. In actual situations this rule does not help much; decisions must in the final analysis be made using sound common sense for reasons of expediency.

In some cases state companies have on their own initiative cut themselves off from their subsidiaries: Enso Gutzeit Oy broke loose from a profitless shipping business to acquire more funds from a profitable power production venture and to be able to better concentrate on wood processing. Most commonly state company managements only propose expansions of operations in their field unless economic reasons force them into other ventures.

Alko's interest in agrobusiness might be more understandable if that company were, for example, willing to sell its restaurants. Throughout the world restaurants are typically family ventures. There are people among the current personnel of Alko's chains who want to set themselves up as independent businessmen.

Ilkka Suominen, the chairman of the Alko board of directors, probably has some sympathetic appreciation for such aspirations. There would still be a sufficient number of national chains even after the sale of Arctia and the Favorite Restaurants.

Administration Is Problematic

The administration of the state companies is problematic: There are many who use the owner's voice, but few who bear the responsibility in crisis situations.

The state companies have their own decision-making bodies. The owner's, that is, the state's own decisions are made in conformity with the Constitution and other laws, whether it is a question of decisions by officials or the Council of State or even Parliament.

In the state companies the trade and industry minister wields supreme power at company meetings. In principle the board of directors should wield that power between company meetings.

Recent practice has, however, significantly limited the power of the boards of directors with respect to the ministry. It is also particularly unclear when

the minister can himself decide on issues and when the issues must be brought to the Council of State for discussion by his colleagues.

From the standpoint of the board of directors' position, the most confusing recent occurrence was in connection with the dispute over the northern forests in which the position assumed by the chairman of the Council of State and probably of the majority of the whole Council of State was ignored in coming to a decision on the Oulu Oy purchase.

As for the Pudasjarvi peat)burning power plant, the Trade and Industry Ministry has given us to understand that the Imatra Power Company can in this case be forced to build a power plant in spite of the company management's position and apparently in spite of the Council of State's position too.

In connection with the sale of Ajokki Oy, a discussion was conducted over whether a state company can file for bankruptcy. Both the Social Democrats and the director of the Bank of Finland, Mika Tiivola, were of the opinion that a state company cannot go bankrupt.

In a market economy the fate of a company that does not do well is, nevertheless, to have to file for bankruptcy in an extreme case. The Damoclean sword of a threat of bankruptcy also hangs over a poorly managed and unsuccessful state company. Otherwise, state company losses are nationalized, that is, the taxpayers are made to pay for them.

Protection against bankruptcy granted the state companies would in practice also mean that banks, goods suppliers and customers behave differently toward the state companies. If the state is the ultimate guarantor for every unpaid item, creditors' solicitude suffers.

Foreign creditors cannot be appealed to in connection with this since foreign banks scarcely even expect such protection.

Good Companies Would Be Admitted to Stock Exchange

A couple of years ago Yrjo Pessi of Kemira Oy opened the discussion here in Finland on admitting the state companies to the stock exchange. The discussion was later blocked by the Trade and Industry Ministry's opposition.

The matter has now been buried long enough for us to be able to progress with it. State companies too must be able to grow, develop and modernize. For this risk capital is also required, that is, increases in capital stock. According to their own reports, the state companies' need for increasing their capital stock during the next 4 years would amount to 2.7 billion markkas. According to Finance Ministry estimates, their capital stock could be increased by perhaps 1.5 billion markkas at the most. Therefore, many a good project may fail to be implemented or be postponed because of the state's shortage of funds.

The meager premise of the state's economy is that roughly the same amount of money received in dividends from the state companies may be used to increase capital stock. Thus 350 million markkas in dividends are projected in the

budget proposal for next year and 340 million markkas in capital stock increases.

Additional indebtedness to foreign countries or raising taxes to meet the need for increasing the capital stock of the state companies does not seem to be wise either. That leaves the possibility of amassing capital from private sector capital markets.

Many state companies would be received with open arms by the Helsinki Stock Exchange. Foreign investors would certainly within the framework of ownership restrictions be interested in investing in Finnish state companies.

Under no circumstances can all the state companies be admitted to the stock exchange, but well)managed companies operating in an open competition situation like, for example, Valmet Oy [state metal industry company] would be admirably suited to the stock exchange.

Several marginal conditions would, however, have to be imposed on the state companies for admission to the stock exchange.

State ownership would have to be preserved to the extent of at least 51 percent. This would mean that, while the state's voice in the companies would remain unchanged, minority stockholders would be sufficiently protected.

Companies whose products are subject to price fixing or those belonging to protected industries should not be admitted to the stock exchange as they are. In connection with the decision on Valmet)Wartsila, the government has now decided to facilitate the splitting up of enterprises into separate companies, that is, so called diffusion. Among the state companies, protected industries or outright monopolies can be divided into separate companies and those parts of them that operate in open competition can be admitted to the stock exchange as companies in their own right.

There would be many benefits from admission of the state companies to the stock exchange. Citizens would gain sensible new opportunities to invest their savings in state companies. The group of private stockholders would keep a sharp eye on the progress of the company and the business economy requirement of profitability imposed on the state company would acquire an entirely new impetus. The companies' ability to obtain foreign credit would obviously only improve if private investors were to become the minority stockholders of the state enterprises. The state companies would also attract the new investment funds that will probably be allowed to be established during the next few years.

I have never understood why the Left has been against the moderate and limited admission of the state companies to the stock exchange. We should note a positive development: that in the discussion of the past few days Minister Seppo Lindblom has begun to swing the stock exchange door open to the state companies.

Even at the present time, we have Enso Gutzeit Oy, only 65 percent of whose capital the state and the Social Security Agency jointly hold, while the rest is divided among the Bank of Finland and 22,000 other stockholders.

At Enso Gutzzeit their experiences with mixed ownership have been favorable and not even the state ought to complain since during the past decade the state has received more in dividends from Enso than it has invested in it as capital stock.

Doubts have been raised that state property would be sold for a mere song if the state companies are admitted to the stock exchange. This fear has to a certain extent been warranted because the stock exchange values of our companies have up to now been considerably lower than substantive values.

This fear cannot, however, be an obstacle to their admission to the stock exchange because by means of different techniques, among others by making good use of bidding results, they can make sure that the "right" price is arrived at for state company shares to be sold to the public.

The state companies are today an important part of our economy's foundation. There is good reason to expand the shareholder base of our state companies so that they can better develop and modernize. Special interests that distort competition must not, however, be formed in the state companies due to state ownership. Their role must be clarified.

There may perhaps be reason for state company managers to exercise more "self censorship" to avoid charges of overextending their companies. The state companies must be boldly chopped up into smaller companies and the subsidiaries sold off.

The know-how and information accumulated by the state companies must without prejudice be sold to private firms when they cannot be effectively utilized in the state companies.

The administration of the state companies, must continue to be improved so that the practice of democratic decision-making is also preserved along with professionalism and efficiency. Instead of management by the ministries, the role of the boards of directors or the functions of the boards of directors must be completely reevaluated. The state companies must more than before be made into businesses involving the entire nation.

Korpinen Initiated the Discussion

In a HELSINGIN SANOMAT monthly supplement that appeared in early November, Pekka Korpinen, the head of the Workers Economic Research Institute, proposed that the state companies be privatized. Korpinen wanted the state to begin to sever its connection with the state companies, its supervision of which has been neglected.

According to Korpinen, in practice a salaried professional management dictates state company decisions and the boards of directors of the companies are merely rubber stamps.

Korpinen was irritated over the fact that the members of the boards are politicians who have obtained their posts as rewards for their political achievements.

According to Korpinen, the state could sell some of the businesses it owns and set up a large fund with the money, one which would channel capital into those industries that are too costly or unfamiliar for private firms.

Korpinen's proposals have been received in contradictory ways. Most recently, Trade and Industry Ministry office chief Bror Wahlroos, according to whom the state companies do not need cheap money obtainable from the private sector through the stock exchange, put in his 2 cents. In Wahlroos' opinion, the state companies have too much money rather than too little.

According to Finance Minister Esko Ollila, the government to be formed after the parliamentary elections will have to take new approaches as concerns the status of the state companies. Aside from a decision on their admission to the stock exchange, the question of the sale of state company subsidiaries to private firms is still undecided.

In Ollila's opinion, the division of functions between the board of directors and the company management is yet to be specified. He wants a thoroughgoing and extensive discussion of the state companies since ideological tensions are still associated with them.

11,466

CSO: 3617/32

RISE IN 1986 UNEMPLOYMENT REPORTED

Helsinki HUFVUDSTADSBLADET in Swedish 9 Dec 86 p 2

[Text] The number of people with jobs fell at the beginning of the year but this trend came to an end in the third quarter. According to the Central Bureau of Statistics survey of the labor force there were about as many people working in July-September of this year as there were in the same period last year in spite of the fact that more people were out of work.

The employment picture worsened in both the private and state sectors, but there was an increase in the number of municipal employees.

The number of people working declined by an average of 6,000 in the first three quarters of this year in comparison to last year. There was an increase in the number of people working in construction, the hotel and restaurant branch, branches serving the business sector, the health-care sector and social services. Employment declined in all other branches.

In all 176,000 people were unemployed in the third quarter of this year, 20,000 more than in the same period last year. The unemployment rate rose by 0.7 percent to 6.6 percent. These figures include those who retired as a result of unemployment.

The rise in the unemployment rate affected men and women to an almost equal extent. Some 40,000 of the unemployed were young people under the age of 25. The unemployment rate among young people rose by more than half a percentage point to 8.9 percent.

Aland and Kuopio County were the only places with a decline in the unemployment rate. In Lapland and North Karelian counties over 10 percent of the labor force was unemployed. The only business area in which the unemployment rate fell involved firms serving the financial and business sectors.

Excluding those who retired due to lack of work, 49,000 people on the average, there were 127,000 people out of work, giving an unemployment rate of 4.8 percent. The number of those retiring because of unemployment rose by 10,000, while there was an increase of 9,000 other people out of work compared to the July-September period last year.

In the January-September period around 20,000 more people were out of work than in the same months last year. On the basis of this, the Central Bureau of Statistics predicts that the unemployment rate this year will rise to an average of 7 percent.

In July-September this year 1.063 billion work hours were performed. Some 2 percent represented overtime and 3.2 percent involved work performed in part-time jobs.

The labor force included around 2.68 million people in the third quarter. The ratio of the labor force to the population as a whole rose by half a percentage point to 72.1 percent. The ratio of men in the labor force rose by almost 1 percent to 76.8 percent, while the ratio of women remained at the same level as last year, 67.5 percent.

6578

CSO: 3650/33

DEI-PYRKAL AGREEMENT SEEN COSTLY FOR NATIONAL ECONOMY

Athens ELEVTHEROTYPIA in Greek 1 Dec 86 pp 14-15

[Text] When the planning agreement between DEI and PYRKAL was signed on 29 April 1983 it seemed to be a good idea. Its goal was to "Hellenize" construction to the maximum and to eliminate the dependence of Greek industry on foreign planning and building centers.

However, the implementation of the "right idea" proved to be a big mistake. It has cost us billions of drachmae and the experiment to have all the building of equipment for DEI's lignite mines, by direct awarding of contracts to PYRKAL, has failed.

This failure cost--and continues to cost--the national economy billions of drachmae (we are talking about tens of billions) and gave rise to rumors that "many have enriched themselves" with the "right idea."

Whether there is a scandal--or a big scandal--or not is to be decided by the district attorney and the ministers having jurisdiction (there is now Mr. Sakis Peponis' guarantee).

We investigated the affair, we collected data and revealing documents and we present them to the public, which, in the long run, will foot the bill.

In my investigative report (after I had collected the data) I tried to obtain the opinion of the minister having jurisdiction, Mrs. Vaso Papandreou.

Twenty days ago I visited her at her office (after making an appointment by telephone, stating the reason for my request), but Mrs. Vaso Papandreou did not answer my questions.

"In 10 days I will hold a press conference on this subject; therefore, will you please wait until then?" she asked me.

I tried to tell Madam Minister that something like that was incompatible with my job, but she insisted that the matter "was serious and there were many interests involved."

"First, let me talk and then you can write," she went on. "I will reply to everything. After all, 10 days is not long ..."

"But it may drag on ..."

"No, in 10 days."

I accepted the request of the minister and let 20 days go by, but the press conference was not held. Because the matter is indeed serious, I am making public the information and Madam Minister will have every opportunity to answer.

The prime movers and promoters of the PYRKAL-DEI planning agreement are considered to be the former National Economy alternate minister, Mr. K. Vaitzos; the president and the director general of PYRKAL, Messrs. Sotirlis and Ambatzis; the former president of DEI, Mr. D. Papamandellos, and the former member of the board of directors of DEI, Mr. P. Tsangarakis (currently PYRKAL's managing director).

The objectives of the planning agreement were:

1. The timely completion of the work, a fact that constitutes a determining factor in the implementation of DEI's energy program;
2. Lowering the cost of building equipment;
3. The Hellenization of construction to the utmost degree with a corresponding flow of technical knowledge and, ultimately, the elimination of Greek industry's dependence on foreign countries for planning and construction.

Did the planning agreement achieve its objectives? The answer to this determining question is given by the following data:

First Objective

Let us see whether the first objective, the timely completion of the work, was achieved.

DEI's administrative council with its decisions 144/19 May 1983; 173/31 [as published] June 1983; 195/16 June 1983 and 269/11 August 1983, commissioned PYRKAL in the first phase to carry out the following jobs:

1. Conveyor belts for waste at Amyndaion (DMKO-39);
2. Three tipplers for the Notion Pedion [Southern Field] and three for Amyndaion;
3. Two excavators for the Notion Pedion (DMKO-26);
4. Conveyor belts for waste at the Notion Pedion (DMKO-26);
5. Amyndaion lignite yard and interconnecting conveyor belts for lignite and ashes to and from the Amyndaion power plant (AIS).

The awarding of all these contracts was made with the proviso that PYRKAL would

submit corresponding bids during 1983. PYRKAL bid on only one job, that is, for the six tipples, for which it submitted a bid in November 1983 and for which the agreement was signed on 2 July 1984.

The agreements for the other jobs were delayed. That for the Amyndaion conveyor belts was signed on 17 April 1984, for the Notion Pedion on 14 May 1985, for the excavators on 22 April 1985 and for the yard on 14 May 1985.

The delays were caused, on the one hand, because PYRKAL was late in submitting its bids and, on the other hand, because DEI considered PYRKAL's bids to be too high and demanded a 10 percent reduction--4 billion drachmae, because the value of these agreements together with the readjustments will exceed 40 billion drachmae.

These agreements would still not have been signed had not Mr. Papamandellos, one of the promoters of the planning agreement, been at the helm of DEI at the time and agreed (in order for the agreement to be concluded) to have DEI pay PYRKAL 5 percent over the price it considered fair, that is, 2 billion drachmae.

It is interesting that in order to implement all of the above agreements PYRKAL will have to work exclusively with West German firms, such as Krupp, Man, Siemens and AEG.

18 Billion Drachmae in Foreign Exchange

The fees to be paid to the above-mentioned firms for technical expertise alone will exceed 3 billion drachmae in foreign exchange, and the imported material (from the same firms) is estimated to cost 15 billion drachmae.

Please note (with absolutely no insinuation intended) that PYRKAL's managing director, Mr. P. Tsangarakis, was Siemen's director general.

Despite Papamandellos' intervention and the coming to terms, which have cost the taxpayers 2 billion drachmae, the agreement for the tipples, for instance, was signed on 2 July 1984, that is, after 1 year's delay. According to this agreement, the first tipples should have been installed by June 1986.

The DEI Mining Directorate in a letter (dated 17 November 1986) already demands the payment of the penalties for the delays caused by PYRKAL to date (Number/ 1M:DMKO/F277. 1/9485/17 November 1986). The document states:

"We kindly request that you calculate the amounts of the penalties involving the first two tipples at the Notion Pedion and Amyndaion because of delayed trial tests.

"To date the unjustified delay for the first tipple at Notion Pedion is 104 days, while that for the one at Amyndaion is 160 days."

The Show Was Ruined

This document of DEI upset everyone at PYRKAL and those at the Ministry of Industry who support the planning agreement because it detracts from the effect

of the "show" being prepared for 5 December. In other words:

After the recent disclosures regarding the PYRKAL-DEI agreement (the first to report it was my colleague K. Tsouparopoulos in KYRIAKATIKI ELEVTHEROTYPIA), in order to dispel unfavorable impressions, its supporters organized the inauguration of the first Greek tipple at Notion Pedion with television appearances of ministers, speeches, etc.

But even if they show it, it would be worthless because three types of machinery are used to mine lignite and each one is useless all by itself.

Please note:

In order to dig, the excavator, the conveyor belts and the tipple must operate in coordination.

In this particular case, even if a tipple were installed, it cannot operate because the conveyor belts that have been planned to feed it will only be ready at best 18 months from now.

We are not through yet. Two years ago we purchased four excavators at a price of 5 billion drachmae each (a total of 20 billion drachmae) that are rusting--one at Notion Pedion and the other three at Amyndaion--because PYRKAL is late in delivering the conveyor belts and the tipples.

DEI, in order to obtain the necessary quantities of lignite on time, had solicited bids in May 1982. This bidding has been voided and the contract was awarded to PYRKAL under a decision by DEI's administrative council (144/19 May 1983).

Now then, the 20 billion drachmae for the four excavators have been tied up for 2 years and it will be 2 more years before the conveyor belts and the tipples are ready, that means 4 years. By merely tying up the capital, additional losses come to 12 billion drachmae (in foreign exchange).

Because of the delays the DEI lignite plan has been set back 3 years. DEI officials have figured that from the Amyndaion operation alone--because of delays--DEI will suffer a loss of 21 billion drachmae (I do not have any data on the other losses).

The Second Objective

All this--and much more--is happening to the first jobs DEI awarded to PYRKAL. Let us see what is happening to the second series of jobs and what they are.

During the second phase DEI's administrative council by a decision (60/19 February 1985) approved the awarding of the following jobs to PYRKAL:

1. Three excavators for the Amyndaion lignite mine;
2. 1.2-Meter lignite conveyor belts for the Amyndaion lignite mine;

3. 1.8-Meter inside-dumping conveyor belts for the Amyndaion lignite mine;
4. Five excavators for the Megalopolis lignite mine;
5. Three tipples for the Megalopolis lignite mine;
6. Lignite yard for Unit IV at Megalopolis;
7. Kyparissia and Megalopolis conveyor belts (1.2 m. and 1.4 m.);
8. Khoremion and Megalopolis conveyor belts (1.2 m. and 1.4 m.);
9. Fourteen cars for the Notion Pedion and Megalopolis conveyor belts.

To date PYRKAL has submitted bids for only three of these jobs--they are urgent for DEI's plan. However, although 1 year has elapsed, even for these an agreement has not been signed because there is a difference of 3.5 billion drachmae in the cost, with the result that the delays are costing the taxpayers additional billions. PYRKAL has submitted bids for the following jobs:

- A. Three tipples for Megalopolis in November 1985 (DMKO-9);
- B. Eight excavators for Megalopolis and Amyndaion, October 1985 (DMKO-7);
- C. Conveyor belt cars, April 1986 (DMKO-8).

Games with Billions

PYRKAL is asking DEI for 15 billion drachmae for these three jobs and DEI estimates--according to the minutes of the procurement committee--that PYRKAL should lower its prices to 11.5 billion drachmae. According to DEI's estimates, PYRKAL should lower the price for the tipples from 32.5 to 38 percent; from 11.1 to 12.7 percent for the excavators and by 37.8 percent for the conveyor belt cars.

And here is the suspect part: Until the end of November 1985, when Mr. G. Sakkas (now a high-ranking DEI officer) was PYRKAL's managing director, PYRKAL's bid was 13 billion drachmae. DEI estimated it at 11.5 billion drachmae and its entire top management (from its president at the time, Mr. D. Mavrakis, to department heads) refused to sign the contract.

Then Mr. G. Sakkas left PYRKAL, returned to DEI as its director of Procurement and Mines and signed, for DEI this time, the bid he himself had made as PYRKAL's representative! And the position of PYRKAL's managing director was taken over by Mr. P. Tsangarakis, who, after having studied PYRKAL's bids, made by G. Sakkas, revised the price and asked 15 billion drachmae for the three jobs previously mentioned. This new asking price was not accepted, even by G. Sakkas, and the contract was not signed, despite the adverse effects on the national economy.

From the above data--but in practice as well--it is evident that the first two objectives (timely completion of the jobs and lowering their cost) were not

achieved under the "planning agreement." Let us now see if at least the third objective will be achieved.

Hellenization

Until the planning agreement was signed, the only "Made in Greece" job was the conveyor belts whose production in our country began in 1976. Greek participation in this operation had reached 68.2 percent.

PYRKAL has, in the two jobs contracted (DMKO 99055/17 April 1984 and DMKO 99068/15 May 1985), that is, the Amyndaion and Notion Pedion conveyor belts, reduced Greek participation to 62.3 percent.

Above and beyond this, it paid the West German firms (PHB, Weserhutte and Siemens) 653 million drachmae for technical expertise, which, with the re-adjustments, will amount to 800 million drachmae in foreign exchange.

(A detail: the same expertise was offered to PYRKAL by Greek companies for half the money, and not in foreign exchange ...)

PYRKAL contends that "Those who disagree with its proposals are against the Hellenization of the construction."

With this contention, PYRKAL was opposing DEI's refusal to accept its over-inflated bid. Mr. D. Mavrakis, former president and general director of DEI, took exception to the rhetorical--and suspect--contention of nationalized PYRKAL's management when all of DEI's management (Dr. Mavrakis, Aim. Mbousios, Arg. Kanellopoulos et al) countered that Hellenization does not mean:

1. Exclusion, without reason, of a company for the purchase of technical expertise;
2. Needless purchase of technical expertise without its assimilation by Greek industry;
3. Questionable procedures in awarding jobs to Greek manufacturing firms;
4. Excessive profit margins by PYRKAL and its associates;
5. Delays in the DEI energy program because of PYRKAL's inability to meet its obligations.

"Therefore," DEI's management would state, "The effort for Hellenization under the conditions of the present organization, the minimization of building costs and bid competitiveness cannot be called a rejection of Hellenization. Just the opposite is true."

If someone--be it a district attorney, a minister or a deputy--decides to investigate this "irregularity" that is costing us billions of drachmae, he should not forget to take a look at what is happening with DEI's hydroelectric

construction (I am told that a big brouhaha is expected) and certain decisions because he will catch a big one.

That's it, for the time being ...

Suddenly a New Proposal

For the first time, perhaps, an investigation is proven correct before it has been published. That I would reveal the "irregularities" of the DEI-PYRKAL planning agreement in ELEVETHEROTYPIA was known both the Mrs. Vaso Papandreou and to several of the agreement's promoters.

In order to beat the disclosure several consultations were held and Mrs. Vaso Papandreou asked the managing director of PYRKAL, Mr. P. Tsangarakis, to reduce his bid from 15 to 11.9 billion drachmae so that DEI would accept it and the agreement would be signed.

ELEVETHEROTYPIA's disclosure last Tuesday halted this "solution," which was lacking in good faith.

Early last Friday afternoon a special meeting was held at the Ministry of Industry under Mrs. Vaso Papandreou's chairmanship. In attendance were Mr. P. Tsangarakis for PYRKAL; the president and general director of DEI, Mr. Mbirdimiris and his alternates, Messrs. Aim. Mbousios and Arg. Kanallopoulos, as well as the counsel to the minister, Mr. Markakis.

Subject of the meeting was the surprise by the consortium of the METKA, VLOKAT and INTRAKOM companies, which, at 2 p.m. Friday, submitted a bid (with recorded documents, etc.) to DEI, with copies to the offices of Mr. Sakis Peponis and Mrs. Vaso Papandreou, for the job for which PYRKAL is asking 15 billion drachmae.

The consortium's bid is 11.78 billion drachmae and it assumes the obligation for offset benefits (export of Greek products for the imported material), and the financing of the job and the guarantee that DEI's timetable will be met.

The consortium's move thwarts the promoters of the planning agreement, which is now in danger of being blown out of the water in view of the fact that the consortium's bid is lower, by 3 billion drachmae, and more Hellenized than PYRKAL's.

At Friday's meeting the pros and cons were discussed and DEI's refusal to sign the contract with PYRKAL, after the consortium's bid, was noted.

"Whoever signs now is actually making an appointment with the district attorney," a DEI official candidly told me.

Officially, the consortium's bid is under study, but off the record, an attempt is being made to minimize the problem by attacking private initiative.

9731

CSO: 3521/44

BRIEFS

PARTICIPATION IN EUREKA--At the conference of ministers from Eureka countries that took place in Stockholm this week and at which was present a Portuguese delegation headed by Arantes de Oliveira, state secretary for scientific research, two more projects with Portuguese participation were presented. They are related to telecommunications and software for designs by computer. The INESC [expansion unknown] and the Porto Faculty of Engineering are the two respective Portuguese participating institutions. Altogether, the conference approved 39 Eureka projects, and the approval for the projects with Portuguese participation is considered almost certain during the next meeting of the ministers. Meanwhile, Portugal expressed its interest in participation in 8 of the projects already approved. It should be noted that our country already participates in 6 other Eureka projects, in areas covering robotics, environment and telecommunications. [Excerpt] [Lisbon EXPRESSO in Portuguese 20 Dec 86 p 2]

/9716

CSO: 3542/38

ECONOMIC

SPAIN

BRIEFS

COOPERATION WITH ANGOLA--Spain and Angola will begin cooperating more closely following the granting by Spain of credits amounting to 65 million dollars that will allow the development of commercial relations between the two countries. [Text] [Lisbon TEMPO in Portuguese 18 Dec 86 p 3]

/9716

CSO: 3542/39

INDUSTRIALIZATION SEEN NEEDED FOR ISLAMIC PROGRESS

Istanbul MILLI GAZETE (Supplement) in Turkish 5 Nov 86 pp 6

[Editorial commentary on the occasion of International Conference on Economic Integration of the Muslim World, Istanbul 11-12 Oct 86]

[Text] The developed countries of the world of today are the industrialized countries. This means that the primary solution to economic problems and development is industrialization. For years now, Western countries have suggesting to Muslim countries that "industrialization is a difficult business," saying, "You better concentrate on agriculture, try selling your agricultural products, minerals and other raw materials."

Today, an hour's labor by an American industrial worker is exchanged for 10 hours of labor by our workers toiling in agriculture or mining. Thus industry provides a level of prosperity to its citizens ten times as high. Therefore a country which intends to develop should rapidly industrialize. Even if we insist on developing through agriculture we would still need to produce the tractors, the equipment, irrigation pumps, fertilizers and so on. We would still need to industrialize to get outlets for our agricultural products. In addition, as commanded by our religion, we would have to establish our heavy industry, our defense industry if we are to possess weapons superior to that of the enemy in order to preserve peace and tranquility in the world. We have to make sure we are not dependent on other countries for our defense needs.

Islamic Common Market

For all these facts, establishment of an Islamic Common Market is not merely to geared to defeating certain economic forces but has to do with obstructing imperialist designs.

In 76 a big industrialization drive had been started in Turkey. Thinking it would be a good example for the industrialization of

Muslim countries, I see some use in dwelling on the benefits of this model and the difficulties encountered. As we know, in 74 the Cyprus Peace Operation was undertaken to prevent the massacre of Muslim Turks on Cyprus. It was at this time that Deputy Prime Minister and Chairman of Economic Council Necmettin Erbakan, representing the NSP wing of the government, speaking at a press conference at the Prime Ministry, proclaimed the heavy industry campaign, saying that military victory in Cyprus would be followed by economic victories. There were 200 heavy industry projects included in this campaign. All installations, estimated to cost \$15 billion at 76 prices, were to be completed in 7 years.

Conclusion

As in Turkey, in all Muslim countries there will be always be those -- particularly intellectuals who have lost confidence in their nation, having become admirers of the West through Western propaganda -- who will oppose any effort at industrialization, defending the view that we won't be able to succeed in that venture, and hence the wisest course for us would be to engage in agriculture and sell raw materials. In this, they would be encouraged by Western industrial nations. Despite all these negative attitudes and suggestions Muslim countries should insist on industrialization and on establishing their own defense industries. While steps are being taken towards the formation of an Islamic Common Market which would ensure economic integration among Muslim countries, this should be considered in tandem with industrialization and the establishment of defense industries.

12466
CSO: 3554/84

POSSIBILITIES OF ESTABLISHING ISLAMIC WORLD ECONOMIC BLOC

Istanbul MILLI GAZETE (Supplement) in Turkish 5 Nov 86 pp 4-6

[Paper presented by Professor Hurshid Ahmad at International Conference on Economic Integration of the Muslim World, Istanbul 11-12 Oct 86]

[Text] Subject: Can Muslim World establish an economic bloc? The issue at hand is whether the Muslim World might be able to establish an economic bloc or not. My answer to this question would be an emphatic yes. Yes, it can and should be established.

Today, Muslim countries constitute one-third of the UN membership. There are about 60 independent Muslim countries. Their population totals 700 million and in the area that extends from the Atlantic to the Pacific, Muslim lands comprise 20 percent of the earth's land mass. Muslim world is composed of two major geographical groupings from North Africa to Indonesia. While the main grouping is located in Africa and the core of Asia, the lesser grouping is found in South and Southeast Asia. Despite the differences of language, race and level of economic development, Muslim World constitutes a homogeneous entity due to a commonality of faith, culture and attitudes springing from Islamic traditions. In a recently published report authored by Rodney Wilson (Theory and Application in Muslim Business World -- a special report published by the Association of Economists) it is pointed out that Western firms with world wide connections would be advised to conceive the Muslim world as a whole rather than as individual or regional units located in places like the Middle East, North Africa, South and Southeast Asia.

Another significant aspect is that Muslim world occupies a strategic position between the Western bloc -- comprised of NATO and the European Community, and the Eastern bloc -- comprised of Warsaw Pact and COMECON. The security of northern Mediterranean is maintained by Turkey -- Straits of Bosphorus and Dardanelles, and eastern Mediterranean is protected by Egypt -- Suez Canal and Port Said. 60 percent of Mediterranean and nearly all of

Persian Gulf is controlled by Muslims. The same goes for Red Sea. A number of important areas in the Atlantic and Pacific Oceans are also under Muslim control.

Muslim world is rich in natural resources and manpower. Close to 60 percent of world's oil reserves is found in the Muslim world which also has huge reserves of iron, phosphates, copper, manganese, tin and clay as well as rich resources in agriculture and animal husbandry. Muslim countries can be placed in three categories: rich oil-producing countries, densely populated and substantially industrialized countries, and less densely populated countries at various levels of industrialization. About half a dozen Muslim countries have significant levels of industry and technology. They are in a position to help other Muslim countries in technology and industrial transfers. In this group we may cite Turkey, Pakistan, Iran, Egypt, Algeria, Indonesia and Bangladesh. While trade among Muslim countries is not significant, over the last 20 years capital and manpower movements have increased. These developments have opened new vistas with regard to economic co-operation and integration.

There has also been activity in the institutional field. Among the more striking examples can be cited the following: Arab Common Market consisting of Egypt, Syria, Jordan and Iraq; Gulf Co-operation Council consisting of Saudi-Arabia, Kuwait, Bahrain, United Arab Emirates and Oman; International Union of Islamic Chambers of Commerce, Islamic Development Bank (in Jeddah), Union of Arab Chambers of Commerce, Islamic Conference Organization, Islamic Conference Centre of Statistical, Economic and Social Research and Training, and various joint initiatives undertaken in Ankara and other Muslim countries. These may yet turn out to be milestones in the formation of an Islamic economic bloc.

Following the revolution in oil prices in the 70's certain Muslim countries acquired immense financial resources, and the balance of world economic power changed in favor of Muslim countries some of which amassed huge monetary reserves, and large financial assets at their disposal. At this juncture two fundamental issues have to be addressed:

1. Should Muslim countries strive toward greater economic integration, forming a single bloc?
2. Given existing economic and political circumstances is it really possible for Muslim countries to establish themselves as an economic bloc?

Considering the attractiveness of the proposition there are at least three reasons why Muslim countries should strive towards the formation of an economic bloc:

1. Muslims constitute a community based on religious, moral and ideological foundations. As a condition of their faith and of historical necessity, Muslim countries should translate the notion of political independence into the economic field by forming an economic bloc.

2. For strategic reasons, the Muslim world should reduce its dependence upon Western and communist countries -- which are responsible for the low level of development of Muslim and Third World countries, and which currently maintain control over world economy in a way working against the latter's interests. The hegemony of those countries could be broken only by forming an alternate bloc. For a number of economic, geographical and political factors, Third World countries are not in a position to form such a bloc. Muslim countries, on the other hand, have greater homogeneity, common frontiers and economic resources. That's the only way Muslim world can be independent and fully developed within the global system. This objective, however, cannot be attained by countries going it alone -- even with all the resources at their disposal. The way OPEC's power has been misused demonstrates that.

3. The future of the Third World largely depends on what happens to the Muslim countries. By activating counter-forces in the Third World as well as providing a model, Muslim World may yet save the Third World from its death throes. The only feasible chance of forming an economic bloc lies with Muslim countries, and the fate of the Third World hinges on such a bloc being formed.

Can such an objective be translated into reality? We believe it can, for the following reasons:

a. The geographical concentration of Muslim countries within two main regional groupings and the cultural homogeneity found in these regions,

b. Developed technology of communication and transportation; presence of air, sea and ground transportation, even railways, providing an effective infrastructure for the economic integration of the Muslim world,

c. Diversity of resources in Muslim countries complement one another as well as forming the basis of economic competition,

- d. Presence of both types of finance organizations -- Islamic as well as secular -- with their monetary resources, can help create the financial mechanism required for development,
- e. Considerable numbers of well-trained, competent professionals in Muslim countries as well as those working in Western countries,
- f. Various levels of industrialization in Muslim countries providing a combination of different technologies and experiences,
- g. Finally, the development of various financial, economic and political institutions over the last 30 years has prepared the ground for the economic integration of the Muslim world.

What are the major obstacles? Some of these are explained below:

- 1. Intense political hostilities,
- 2. Efforts by Western countries to keep the Muslim World in a state of disarray,
- 3. Dependence on industrialized countries for certain strategic resources and inputs necessary for industrial development,
- 4. Lack of means necessary for the implementation of comprehensive economic programs, and the absence of institutions necessary to undertake long-term planning,

Recommendations

- 1. Establishment of a body of experts under the auspices of the Islamic Conference Organization to develop systematically the idea of an Islamic economic union and explore how the obstacles could be removed,
- 2. Setting up new organizations to work toward some of these objectives:
 - a. Formation of national or multinational companies for developing agriculture and animal husbandry,
 - b. Formation of one or more multinational Islamic companies to ensure the development of resources -- particularly food, animal husbandry, fishing, natural resources, consumer industries, heavy industry and defense industry. In fact, a number of companies can be formed related to these diverse fields,
 - c. Development of an effective capital market,
 - d. De-connecting the ties between Islamic countries and U.S. dollar, British pound, and D-mark and development of a common Islamic currency. Neutralizing the negative effects of floating exchange rates and development of new measures for reducing international monetary imbalances to a minimum,

- e. Development of joint enterprises in shipping, freight, oil tankers, other transportation industries and agencies, and animal husbandry,
- f. Establishment of joint service industries in banking and insurance,
- g. Establishment of a technology bank and a number of technical institutes and universities to meet the need for technical staff in the future,
- h. Transition to bilateral and multilateral trade, and formation of one or more customs unions based on minimum tariffs,
- i. Legal and commercial agreements among Muslim countries to avoid the drawbacks of dual taxation and other obstacles to economic co-operation,
- j. Finally, encouragement of joint enterprises among private companies in addition to initiatives at governmental level.

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COMMUNIQUE ON ISLAMIC WORLD, OIL

Istanbul MILLI GAZETE (Supplement) in Turkish 5 Nov 86 pp 12-13

[Paper presented to the International Conference on Economic Integration of the Muslim World, Istanbul 11-12 Oct 86, by Ibrahim Yazdi, former Iranian foreign minister]

[Text] God has granted the world of Islam three very valuable gifts. These are:

- a. Islam as a system for living,
- b. Geo-political location of high significance,
- c. Vital natural resources, such as oil and natural gas.

The Muslim population of the world is estimated to be around 1,25 billion which is one-fourth of the global population. Muslim peoples can be found everywhere in the world. In 55 countries they constitute the majority. As to oil and natural gas, while the share of Muslim OPEC countries in world oil production is 66,36 percent, these countries constitute 9 percent of the world's population.

According to Islamic principles all Muslims are brothers and they constitute an 'ummah' (religious community) sharing a joint legacy and a common fate. They are expected to be attentive to each other's problems and difficulties, and help each other overcome them. It is also true to say that Muslims, today, are divided into separate, independent national units which are often in disagreement. There are also profound differences in their socio-economic development and policies. For instance, in 83 while Muslim nations of OPEC had an average per capita income of \$1,530 the same figure for non-OPEC Muslim nations was \$338.

Between the date when oil production got under way and year 84, oil-producing Muslim countries have produced a total of 186 billion barrels of oil, the big part of which has been produced between the years 75-84. Between 63-84 oil revenues of oil-producing Muslim countries (OPMCs) have been estimated to be \$1

trillion 700 billion. Of this figure \$920 billion belongs to the 83-84 period.

An analysis of the overall indicators of Muslim countries produces some regrettable observations. While infant mortality rates are high, numbers of doctors, nurses and hospital beds are few and far between. In the health area there has been some improvement in most OPMCs during the last 20 years. As to indicators concerning education, the overall illiteracy level in the Islamic world is over 50 percent. This figure falls when women are taken into account. While literacy levels are higher in the OPMCs they are still below reasonable levels. The proportion of primary and secondary school students in the OPMCs is higher than in non-producers of oil. But a good part of Muslim youth in most Islamic countries are without any chance of attending secondary school. The situation is more frightening when it comes to university education.

In the area of defense expenditures, the share of Muslim countries in the world total (excluding NATO and Warsaw Pact) is 32 percent, with 27 percent going to the OPMCs. In the 75-84 period OPMCs have spent 28 percent of their oil revenues in the defense area. With certain exceptions, in most Muslim countries the share of expenditures going to defense is higher than the share of education and health. As seen here, OPMCs have extracted oil exceeding the amounts warranted by domestic needs and capacities, converting their surplus resources into cash. As they have not been in a position to put their huge oil revenues to good use all at once, and due to heavy military expenditures, they had to deposit their surpluses in the international banking system.

During the 71-85 period the OPMCs went through two shocks related to oil production and oil prices. They were not fully prepared to derive the benefits of these shocks. In the future one sees the inevitability of new price adjustments in oil prices in the early 90s due to an increase in effective demand. Given the non-renewability of oil resources if OPMCs are not poised in time to take advantage of the probable fluctuations in oil prices they won't be getting another chance.

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PRESS CONFERENCE AFTER ISLAMIC ECONOMIC MEET

Istanbul MILLI GAZETE (Supplement) in Turkish 5 Nov 86 pp 12-14

[Press conference by Necmettin Erbakan, former leader of NSP, following International Conference on Economic Integration of the Muslim World, Istanbul 11-12 Oct 86]

[Text] The conference on 'Economic Integration of the Muslim World', organized by the Islamic Conference Organization in Istanbul, has taken place on 11-12 Oct 86. Hosted by ESAM (Economic and Social Research Center) the conference has provided occasion for prominent Muslim statesmen to discuss important issues, and for the presentation of 8 papers which brought many scientific facts into view. The conference took place at a historic moment, was followed with great interest and was extremely successful.

As the scientific papers presented at the conference have clearly shown, both EEC -- based upon capitalist mentality and charging of interest, and COMECON -- based upon socialist mentality, have brought benefits to their members during their existence spanning quarter of a century. Some of these benefits have been:

- Rapidly growing and developing GNP (EEC's total GNP is close to that of U.S. and is double that of Russia)
- Rapid rise in per capita income (average income in EEC is over \$10,000)
- Technological development
- Rapid increase in share of world trade
- Ability to allocate great sums to research.

These and other advantages have enabled these communities to gather political power and strengthen their hand in protecting their economic interests. However, there have also been certain drawbacks. Despite the passage of considerable time -- quarter of a century, following problems are still outstanding:

- They have not been able to resolve the unemployment problem (the unemployed in EEC number over 10 million)
- They could not prevent inflation (though inflation rates appear low currently this is nothing but a temporary illusion contrived by artificial means)
- They could not overcome imbalances in income distribution, which are on the rise
- They could not eradicate poverty (millions of people in EEC bear the full brunt of poverty today)
- They have not been able to generate a sense of confidence toward the future at neither societal nor individual levels
- Instead of enhancing the moral values of society they have debased them creating a dissatisfied society

All these are not temporary aberrations but the result of defects, unfairness and exploitation inherent in the system. At a fundamental level, capitalist and socialist systems are similar in structure. They invariably produce classes of oppressors and oppressed (which are the great majority). The only difference between the two systems is that in one, the oppressor happens to be the state whereas in the other, corporations. This is due to characteristics shared by both systems:

- They consider money not as a measure of rightful claim but an instrument whose value and quantity could be manipulated at will
- Printing money without collateral
- Arbitrarily devaluing money
- Sanctioning the practice of consuming without producing -- through the mechanism of interest, thus violating the rights of producers
- Letting the poor pay the taxes
- Making credit available only to the rich
- Introducing rules ostensibly to reorganize the economy but ending up deviating from fairness
- And most importantly, treating man as a materialist entity, abstracting all social and moral values from the economy leaving it threadbare as a concrete structure.

When all these facts are considered, in light of the papers presented to the conference as well as the overall trend of thousand years of Turkish history, it is clear that Turkey should not be joining the EEC. Not to mention that EEC, due to its inherent mechanism of exploitation, has this unsettling habit of turning its weaker 'partners' (which lack adequate infrastructure) into servants. For Turkey to enter EEC (where per capita income is over \$10,000) with its per capita income below \$1,000, would only mean, apart from historical factors, exploitation by them and melting in their pot. EEC was founded with the aim of creating a single state to embody the historical and moral values of countries making up the community. Muslim countries, too, can and should create a community in accordance with their

own historical and moral values, to be based upon a fair system. Turkey's interests and historical legacy points not towards entering the European Common Market but the Common Market of the Muslim Countries. No one will be able to do away with Turkey's thousand-year history.

If it so happens that, despite the facts established with mathematical certainty at this conference, the ephemeral governments of the current period manage to insert Turkey into EEC as a fait accompli whatever the cost, we openly proclaim on this historic day that as soon as we are capable of doing it we will take Turkey out of EEC, complying with the wishes of the people, and make it part of a common market based on justice and founded by Muslim countries. This is what we are proclaiming in the wake of this historic conference!

We would like to touch upon another issue on the occasion of this conference. And that is, all Muslim countries should take heed of the warnings of and answer the calls issued by TRNC President Hon. Rauf Denktas at this conference.

On the same day we opened this conference (11 Oct 86) there was another opening elsewhere -- that of Tumosan Aksaray engine plant in Aksaray, Nigde. As we know, this plant is part of the historic heavy industry campaign that we had initiated back in 76. We designed this plant with a view to producing heavy vehicle and diesel engines with all their parts produced right here, and meet the engine needs of military vehicles (a major item in our defense budget). The plant was conceived as a fully indigenous production unit and we made great strides in its construction in one year. Of the 200 heavy industry installations planned then, we managed to complete 24 in one year. We were working at a pace determined to complete the whole 200-project program in 7 years. But by various tactics we were removed from office. And all projects came to a standstill.

We had placed determined cadres to run the organizations implementing the heavy industry campaign. Some of the projects were completed after our departure from office due to the personal efforts of these people. Today, of the 200 projects 70 have been completed and 130 remain unfinished. Aksaray engine factory, which has taken 10 years to complete, is one of the 70. In this context I would like to mention a few points:

1. They said these plants could not be built or completed. Where are they hiding now?

2. We had conceived the plant as fully indigenous in production, to be financed exclusively with national capital. Now we see that they have turned it into an assembly plant and handed it over to foreign capital. This shows clearly the difference in mentality between us and them.

3. In the opening ceremonies of this plant, which was initiated and developed by us, not a single word was uttered about who the initiators were -- neither during the speeches nor on TRT. This is wrongful and improper conduct. Such behavior cannot negate or eradicate facts known to the whole nation. It would simply show the perpetrators for what they are. For some time now, our nation has been witnessing such wrongful and improper behavior. It is time such goings on be ended. This country belongs to all of us. In government, continuity is of the essence. A government cannot hope to gain anything by negating and disowning its predecessors. In fact, it would stand to lose a great deal. Our national traditions and character requires us to acknowledge past deeds. Acting to the contrary would only belittle those engaging in such behavior.

Another instance of this inappropriate and wrongful conduct has been observed, unfortunately, in relation to this conference. The way the conference has been covered on TRT during the last two days has been quite something. A conference of this magnitude, attended by statesmen and scholars from fraternal Muslim countries, was not mentioned at all during the main news bulletin at 8 pm and was deliberately shifted to the late bulletin. This and the fact that the Chair of the conference was shown on film from such a distance as to make it impossible to recognize the faces has not gone unnoticed by the nation. It has been a source of further regret that, during yesterday's 8 pm news bulletin any mention of the names of our distinguished speakers, former Minister of Construction and Housing Recai Kutan and former Director General of Agricultural Equipment Board Cevat Ayhan, was deliberately avoided.

TRT, according to the Constitution and its own charter, is required to perform its duties by treating everyone equally, and in a way facilitating the free formation of public opinion, as befits a national organization. Why isn't everyone given equal treatment? Whenever it suits them they relay minute details of an insignificant meeting of an insignificant association, so why do they eschew their responsibility at such an important meeting, flouting the principles of equality?

In recent days there have been constant references to 'brotherhood, internal peace and tranquility'. One condition of achieving these would be not to discriminate between the sons of this country, and to show some gratitude for services rendered. Engaging in such unfair treatment while paying lip service to high-minded concepts is wrongful and improper. I reiterate the point that it is high time to abandon this mistaken and improper course. Realities cannot be disguised or changed to suit one's fancy.

BRIEFS

STEEL PRICE HIKE--Ankara (ANKA)--Iron-steel products were added to Ozal's post-election price hike operation. As of Monday, they will be selling for 12 percent to 14 percent higher. Ingot iron that sold for 160,000 liras a ton will thus have a new price of 182,000 liras, profile steel from 215,000 liras a ton to 240,000 liras and angle iron from 200,000 liras to 224,000 liras. The price of pig iron was not raised. Pig iron will continue to sell for 125,000 liras a ton. Turkish Iron-Steel Works General Directorate officials attributed the price hike to increases in production inputs. [Text] [Istanbul TERCUMAN in Turkish 12 Oct 86 p 6] 8349

CSO: 3554/86

DEFENSE MINISTER DEFENDS NATO NUCLEAR ARMS USE POLICY

Copenhagen BERLINGSKE AFTEN in Danish 28 Nov 86 - 4 Dec 86 p 8

[Interview with Hans Engell by Toger Seiden-Faden: "The Defense Minister: 'New Religion Movement Around Nuclear Weapons'"; date and place not given]

[Text] [Question] WEEKENDAVISEN: What are the essentials of the new NATO guidelines concerning nuclear weapons?

[Answer] Hans Engell: New more comprehensive guidelines have replaced the temporary guidelines we have had until now, and they have been approved by all NATO countries without objections. Thereby we have a solid and secure basis for the alliance's stand in connection with the possible use of nuclear weapons. It is fantastically important that we have had it laid down unequivocally that nuclear weapons cannot be used without political supervision and consultation.

This has been questioned--by Keld Albrechtsen, for example--but even he must surely be able to realize that extreme situations can be imagined in which political consultations are made difficult or impossible. This could happen if, for example, NATO were subjected to an extensive unilateral nuclear attack. But this does not change the fact that the rule is consultations.

[Question] The critics focus on this lingering uncertainty. On the other hand it is the role of nuclear weapons to be a deterrent. Could it not be claimed that the lingering uncertainty regarding the use of nuclear weapons is an advantage?

[Answer] First, we understand nuclear weapons first and foremost as political weapons. This has also been clearly emphasized in the new guidelines, and this is positive.

Secondly, it is part of NATO's flexible response strategy that the alliance must have credibility in all weapon areas, which results in the fact that an opponent can never be able to carry on a war and limit it to the level where he himself has superior force.

This having been said, I would like to add that I belong to the circle of politicians who would see it as an advantage, the more it was moved toward, to

have the possibility of a /non-early/ [in italics] use of nuclear weapons instead of emphasizing the pure first-use possibility. Here there is a close connection between conventional credibility and nuclear weapons. This connection is recognized in the other NATO countries, but it apparently has had difficulty in being admitted to the discussion here at home.

[Question] The Folketing has passed a resolution which obliges the government to work for an international agreement concerning the non-first-use of nuclear weapons. Do you see any disparity between this resolution and the approval, which you and the Danish government carried out here, of the new guidelines on the use of nuclear weapons, which do not exclude first use?

[Answer] No. The resolution specifies that this is something the government is bound to /work for/ [in italics]. This does not mean that thereby a unilateral break is to be made with NATO's strategy as agreed to today.

It is as though the extreme left wing is not able to distinguish between what was passed in the resolution and that which is their desired goal: that Denmark--unilaterally, usually--break with NATO's strategy. On the part of the government we have said that we are not prepared to and will not accept this policy.

I would like to recall the fact that NATO has a strategy to the effect that we will never be the first to use military power at all. This is broader than the Soviet statement regarding one's not being the first to use nuclear weapons.

[Question] The question of the use of nuclear weapons from Danish soil in a war situation has also been raised. As far as I understand it, American law requires that, in order to transfer nuclear weapons to a country, there be a cooperation agreement to this effect. If not, there will be a delay of at least 60 days and a hearing by the U.S. Congress. As far as I know there is not such a Danish-American agreement. This means that the rapid transfer of nuclear weapons to Denmark in a crisis situation is in reality ruled out.

Is this account correct? And if it is correct, why then does the government not stress this situation in the discussion?

[Answer] I can confirm this account of the situation.

The decisive thing, seen from our viewpoint, is that the transfer of nuclear weapons under any circumstances will require a Danish political consensus. There is nothing automatic.

[Question] But is there not accordingly not only a Danish, but also an American, political and parliamentary barrier to the transfer of nuclear weapons to Denmark as long as such a cooperation agreement does not exist?

[Answer] That is correct.

The noteworthy thing is that the USA, through the consultation stipulations and the political guidelines, has given the non-nuclear-weapons-possessing

powers far greater influence on the use of nuclear weapons than we would have had otherwise.

Nuclear Disarmament

[Question] The so-called Montebello Process in NATO has in recent years resulted in the fact that the nuclear arsenals in West Europe have been cut back by several thousand nuclear warheads. Will this development continue?

[Answer] The Montebello resolution is not the last resolution concerning the reduction of nuclear stockpiles. It is undoubtedly possible to go further, and in NATO they are studying in various contexts the possibilities of going further in the years to come. And this independently of the disarmament achievements which can come besides after Reykjavik.

[Question] The modernization of nuclear weapons was also agreed to in connection with the Montebello resolution. Will this modernization mean the replacement of remaining stockpiles or another buildup so that we return to the old figures?

[Answer] The ceiling which is the result of Montebello will be the one in effect. It is the remaining stockpiles which are to be credible and effective. But the replacements which are to take place will do so in accordance with negotiations between NATO headquarters and the countries affected.

[Question] We have all the time talked about how we can get to abolish the most possible nuclear weapons. Aside from the fact that it is necessary to have them so long as our adversary has them, do you see any positive effects at all, of the existence of nuclear weapons?

[Answer] For me there is no doubt that nuclear weapons have played an essential role in the maintenance of peace in our region in the last 40 years. But it cannot be proven, for it is certainly impossible to know what would have taken place otherwise.

In recent years we have surely focused far more on nuclear weapons, viewed in isolation, in the debate than the issue deserves. Many have attempted to create the impression that we were on the brink of a nuclear war, and this is very far from the truth.

At the same time it is granted that it is in everyone's interest that security be aimed at on a lower armament level. Also out of regard for the economic consequences of a weapons buildup in both the East and West.

A new-religion movement has almost formed around nuclear weapons here at home. We have known nuclear weapons for 40 years, but we have not learned to live with them. It is certainly not so strange when one takes into consideration the catastrophic effects which their use would have.

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CSO: 3613/33

DEFENSE MINISTRY LISTS DESIRED PROCUREMENTS

Copenhagen BERLINGSKE TIDENDE in Danish 9 Dec 86 p 7

[Article by Nils Eric Boesgaard: "Armed Forces' Want List for Compromise"]

[Text] More draftees, modern antitank defense helicopters, filling of ammunition dumps, a plane which can replace the Draken [Dragon], and new fishery inspection boats are among the things the armed forces want.

The background for Defense Minister Hans Engell's desires for a considerable increase in the defense budget is the wearing out and scrapping of materiel which have taken place since the weapons aid ceased.

"During the period from NATO's founding to 1966 the Danish armed forces received 4.5 billion kroner worth of war materiel measured in 1966 prices. This corresponds to 20.6 billion kroner in 1986," a staff member of the Armed Forces Command Planning Department, Major H.J. Helsø, writes in VAERNSKONTAKT, and the politicians have never been willing to compensate this loss.

A large portion of the weapons aid materiel has now been scrapped because it has become obsolete. This pertains to all the planes, for example. But there is much of the aged materiel which, in unchanged or modified form, is still part of the defense system. This relates, for one thing, to the Centurion and M-41 tanks, the minelayers, minesweepers and Hawk air defense missiles.

It is characteristic that it has not been possible to replace obsolete materiel in a 1 : 1 ratio. The number of the air force's fighter planes has been reduced from 128 to 84. The navy's combat units from 44 to 36. At the same time it has been necessary to eat into the war reserves of ammunition for training purposes without the necessary reprocurement's having been possible. It is an internationally recognized rule that modernization by new procurements for the armed forces claims 20 to 25 percent of the budget. For a number of years Denmark has been able to afford only 16 to 17 percent.

Does Not Want to Meddle

The Armed Forces Command does not want to disclose its want list at the present time. It is feared that it would be perceived as untimely meddling in

secret of the fact that modern materiel, ammunition for the war reserves, and more draftees are being prioritized highly.

According to the current defense compromise, a modern personnel-borne close-range air defense system is to be procured in the years to come. The Armed Forces Command recommended the American Stinger missile, but the purchase has been placed in abeyance because of political problems.

It is expected that 12 antitank defense helicopters will be ordered in the course of the coming spring. The type has not yet been decided, but the choice is thought to be between a German, French and American helicopter.

The old M-41 tank is to be modernized, and it is claimed in expert quarters that the rebuilding will make it one of the most advanced light tanks in NATO.

The navy will in the course of the years to come receive the first series of seven Standard Flex 300 vessels, which will be able to be used as both patrol boats, motor torpedo boats, motor gunboats and minesweepers. If they live up to expectations still more will probably be built.

Also among the new procurements are three older Norwegian submarines of the Kobben [Seal] class, modernization of the minelayers, and the building of at least two new fishery inspection ships.

More Draftees

The air force is getting 12 new F-16 planes and new types of Sidewinder missiles; two more Hawk air defense batteries will be leased; and it will be necessary to begin negotiations regarding a replacement for the Draken planes.

Among the materiel which has already reached the armed forces is a considerable number of Carl Gustav antitank guns of the latest model and lots of wheeled vehicles. This applies, for one thing, to Mercedes "Gelaende" vehicles, which will replace the older Jeeps. At the same time, procurement of new light M.A.N. cross-country vehicles has begun.

Personnelwise, the armed forces hope to get an opportunity to stop the resignation of officers, pilots and technicians, as well as to be able to call up more draftees.

At the moment it is almost the exception rather than the rule that those liable for compulsory military service are called up to serve their time. The yearly graduating class numbers about 22,000 young men. At the moment only about 5000 of these are called up for training.

This means that it can become necessary in a war situation already from the outset to call up 40-year-olds whose training was 15 to 20 years ago, in order to bring the military strength up to the prescribed 72,000 men. The number of

those called up must reach 10,000 to 15,000 if it is to be possible to fill the field army's ranks with the three youngest and best trained classes.

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SOCIAL DEMOCRATS ISOLATED IN SCANDINAVIA ON DEFENSE BUDGET

Copenhagen BERLINGSKE TIDENDE in Danish 9 Dec 86 p 6

[Article by Thorkild Dahl: "Anker Jørgensen Disagrees with Nordic Fellow Party Members"]

[Text] Social Democratic government leaders in Norway, Sweden and Finland want an increase of at least three percent in their countries' defense expenditures. Anker Jørgensen wants a zero solution in Denmark. Defense Minister Hans Engell calls a zero solution an actual decline, because technological developments cannot be covered.

Social Democratic Party Chairman Anker Jørgensen is isolated among Nordic social democratic leaders in his view that a credible defense system can be developed without additional appropriations. In Norway, Sweden and Finland the social democratic leaders are prime ministers, and they all believe that it is necessary for their governments to supply the armed forces with additional funds in order to maintain a credible defense system in the special Nordic balance.

The Minister's Proposal

Defense Minister Hans Engell (Conservative Party) has proposed adding to the Danish defense system as of 1988 by an amount of about 800 million kroner, to about 13.8 billion kroner. This is an increase of about six percent. Social Democratic Party Chairman Anker Jørgensen is proposing a zero solution, and says that the Social Democratic Party has gone far by being open to a solution in which funds are appropriated to cover inflation.

Anker Jørgensen believes that it can be possible to create a credible Danish defense system within the existing budget. While Norway's social democratic Foreign Affairs Minister Knut Frydenlund stresses that the Norwegian government is strictly following NATO's recommendation from the Washington meeting in 1979, regarding a three-percent annual increase, the Danish Social Democratic Party does not agree with NATO's recommendation.

NATO's Propaganda

"We do not give a hoot for the propaganda from NATO to the effect that Denmark must pay more. When all this propaganda has been set aside we believe that the Danish defense system is of reasonable proportions in relation to the country's size," Anker Jørgensen says to BERLINGSKE TIDENDE, and he emphasizes that the Social Democratic Party does not want cutting back of the armed forces.

"The domestic policy is also decisive for the fact that we cannot increase the appropriations. We cannot increase the appropriations for the armed forces in cooperation with a government which is cutting back in all other areas," Anker Jørgensen says, and he calls the Social Democratic initiative concerning an unchanged budget for defense a precondition for a defense compromise.

Increase Necessary

"It is necessary to have a general increase in the budget for defense appropriations," Hans Engell says, and he adds that the Danish armed forces have become so streamlined over the last few years that new shakeups will yield only small sums. The complete enactment of the transfer of soldiers to fewer Jutland garrisons can in the best case produce 30 million kroner.

Liberal Party Spokesman Peder Sønnerby says that the Danish armed forces have a deficit.

"Two hundred and fifty million kroner must be used just to call up 2000 more draftees, as we have agreed to with the Social Democratic Party. The remainder of the increase is necessary in order to restore ammunition stockpiles and procure the necessary materiel," Peder Sønnerby says.

Social Democratic Defense Policy Spokesman Knud Damgaard has spoken in behalf of more money for the armed forces, but acknowledges that there is not a majority for his viewpoint in the Social Democratic Folketing group.

"If the armed forces' problems are to be solved, the choice can be made between prioritizing differently or procuring more money. I regard the latter as politically impossible, although I personally could feel that it would be reasonable," Knud Damgaard believes.

The Other Nordic Countries

In the other Nordic countries the social democratic governments have just negotiated new defense compromises. Social democrats in Norway, Sweden and Finland attached importance to additional funds' being placed at the disposal of the countries' armed forces.

Norway's social democratic government under the leadership of Gro Harlem Brundtland is advocating a three-percent increase after inflation. In Sweden the Ingvar Carlsson government is supporting a defense compromise with an increase of at least three percent. Feedback on the defense policy proposal to the party from rank-and-file members shows that the party has support for an increase in defense expenditures, BERLINGSKE TIDENDE has learned.

In Finland the Kalevi Sorsa government is putting through a defense compromise with a 3.8-percent increase.

While Anker Jørgensen calls a zero solution for the Danish armed forces a "precondition" for a compromise, Liberal Party Defense Policy Spokesman Peder Søndersby takes the Social Democratic initiative as a "signal to the SF [Socialist People's Party] and the government regarding where the Social Democratic Party stands; but we will surely come to an agreement on a defense compromise."

Zero Solution a Reduction

Defense Minister Hans Engell says that a zero solution actually means a reduction of the armed forces' funds, because allowance has not been made for technological developments, in the current appropriations.

"When we are now replacing old fighter planes with new F-16's, they cost four times as much. And allowance has not been made for these technological increases," Hans Engell says.

The government's proposal for the defense compromise will come in the beginning of the spring, but both Defense Minister Hans Engell and Peder Søndersby indicate an increase of 800 million kroner as necessary.

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CSO: 3613/28

NON-COMMISSIONED OFFICERS ASSOCIATION CRITICIZES COMMANDERS

Copenhagen BERLINGSKE TIDENDE in Danish 7 Dec 86 p 11

[Article by RB: "Sharp Criticism of Officers"]

[Text] An enlisted privates' foreman says that his members have such poor confidence in some of the officers' judgment that they doubt whether the officers will be able to handle a critical situation like a war, for example.

"Some officers have such poor judgment that we would not dare to go to war with them." A unit foreman of the Army Enlisted Privates and Corporals Association words this sharply relations between officers and the rank-and-file in the armed forces.

The unit foreman, in the association's periodical, FAGLIGT FORSVAR, draws a parallel with the Vietnam War, where officers were shot down from behind by their own men.

"We experience daily how some officers make 'head-under-the-arm decisions', and this is in peace time, of course. So we become doubtful about how it would go in a critical situation," Unit Foreman Michael Eriksen of the Sjaelsmark Barracks says to FAGLIGT FORSVAR.

The president of the Main Organization of Officers, who is a member of the Armed Forces Group in the Central Organization of Academicians, Colonel O.B.M. Jensen, says that the statements have taken him completely by surprise.

Positive Attitude Toward Enlisted Privates

"I have no knowledge whatsoever of this kind of problem. We meet regularly with the Army Enlisted Privates and Corporals Association, and the problem has never been discussed," O.B.M. Jensen says.

"On the other hand, the officers have a very positive attitude toward enlisted privates. They are professionally competent and we are happy about them," the colonel says.

The enlisted privates and corporals association's federation president, Svend-Erik Larsen, emphasized after publication of Michael Eriksen's criticism of

officers that it is Larsen's completely personal opinion and does not express the federation's position.

"The Army Enlisted Privates and Corporals Association works together excellently with the Main Organization of Officers," Federation President Svend-Erik Larsen says.

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CSO: 3613/33

TIES WITH LEFT REPORTED IN ARMED FORCES

Leadership Ties

Athens TO VIMA in Greek 28 Dec 86 p 48

[Text] The new chiefs of the Navy and Air Force, Vice Adm Leonidas Vasilikopoulos and Lt Gen Nikolaos Stapas have well known antidictatorial activities in their past. What is not known is that they long have had ties with personalities of the traditional left. These ties have cost them persecution and tribulations, especially under the dictatorship. At that time, L. Vasilikopoulos had been tortured at the EAT-ESA [Special Investigating Section/Greek Military Police] and Nik Stapas had been demoted to simple airman. The new head of the Navy is married to the daughter of former EDA [United Democratic Left] deputy and longtime official Stavros Iliopoulos, now deceased. They have two children. Vasilikopoulos' close ties with Iliopoulos allowed the former to meet with many leaders of the left, and their relationship became even closer under the dictatorship. An excellent Navy officer, Vasilikopoulos always knew how to differentiate his social and friendly relations from his official duties.

Something similar could be said about the ties with personalities of the left of the new chief of the Air Force. However, something must be added. I can disclose that Nik Stapas' grandfather was the man who almost raised poet Giannis Ritsos and his two brothers. He was the manager and supervisor of Levteris Ritsos' large properties near Monemvasia, and was devoted to the family of the poet's father when the days of economic difficulties and deaths arrived. Given all this, the new chief of the Air Force has been an admirer of Giannis Ritsos from his younger years.

Reported U.S. Concern

Athens EMBISTEVTIKO GRAMMA in Greek 23 Dec 86 p 4

[Text] The U.S. Pentagon is concerned about the constant information it is receiving from U.S. secret services about the communist penetration of the Greek Armed Forces. "We have grounds to suspect," Pentagon officials state, "that the KKE has succeeded in infiltrating its members in the mass

of the junior officers in the Navy and Air Force. While in the Army, where higher and lower ranks are resisting communist penetration, party organizations exist in camps and among civilian personnel."

The Pentagon also believes that there is communist infiltration in mid-level and superior Air Force officers, who appear, at this time, to be supporting the PASOK government. It is said that as minister of national defense, A. Papandreou had repeatedly given assurances to allied services that the situation is under control and that the Armed Forces are keeping their distance from politics. However, the Pentagon now believes that not only A. Papandreou did not prevent the KKE infiltration, but that he actually encouraged it through the choices he made.

This is why the Pentagon believes that disciplinary problems in the Navy and the Air Force will intensify among the lower ranks, while members of the highest levels of the three branches have become mere civil servants and remain inactive.

/9604

CSO: 3521/50

NAVY OPERATIONS SAID AFFECTED BY REDUCED ALLOCATIONS

Athens EMBISTEVTIKO GRAMMA in Greek 3 Dec 86 p 5

[Text] We are deeply concerned with an "extremely urgent" and "confidential" document of the Naval General Staff, which is in our hands. It deals with the 1987 budget and was drafted on 23 October 1986 for the Directorate of Naval Administration with copies to sensitive services of the Navy.

The document (File No. 602/2/10/86) refers to a rearrangement of priorities and needs which must be made "because of the problem of cutting allocations." These cuts reach the unprecedented percentage of 30 percent. Thus, while the current liabilities are 1,227,750 drachmas, the balance remaining after the cuts reaches 723,750,000 drachmas, which is insufficient to cover the needs of the Navy and its current accounts. Therefore, alternative ways must be found for supplying spare parts to the ships and for continuing the supply of general materiel with whatever competitive biddings are presently in existence.

The service which drafted this report proposed to limit to two thirds for the next 5 months the monthly allocations for ships except for those now under repair. It also proposed that for the next 5 months, providing materiel from supply rooms should be halted so reserves can be maintained at desired levels. Other data are given in this report which for national security reasons we cannot publish.

What is disturbing is that appropriations for the Navy are being cut at a time when, by general consensus, the Navy appears to have extremely acute operational problems, both administratively and technically, because of outdated materiel (as the many--and mortal--accidents during the past year prove). Thus, it will be unable to support not only programs for modernization and improvement of its equipment, but also the program of maintaining its present materiel.

On the other hand, while it should be particularly careful on the question of arms, equipment, maintenance and readiness of the Navy, the Papandreou government is planning appropriations' cuts, especially at the end of the year which can impair the Navy's capability. However, what is of greater concern is that for 1987 also, appropriations for the Navy are expected to be reduced even more. And this political decision should seriously concern not only the government but the whole political world of the country as well.

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CSO: 3521/46

ARMY, NAVY, AIR FORCE LEADERSHIP, RETIREMENTS ANNOUNCED

Athens I KATHIMERINI in Greek 24 Dec 86 p 3

/Text/ The Ministry of National Defense announced that the SAGE /General Staff Officers Council/ met yesterday morning under the chairmanship of General Kouris, GEETHA /National Defense General Staff/ chief, to fill vacant army major general, navy rear admiral and air force major general positions.

Army Lt Gen P. Markopoulos, until now commander of the 2nd Army Corps, was assigned as army commander. Rear Adm Khr. Lymberis, until now commander of naval training, was assigned as fleet commander. Air Force Lt Gen Ilias Psomas, until now air force deputy chief, was assigned as Tactical Air Force commander.

The following army major generals were promoted to the rank of lieutenant general: Ioan. Veryvakis, Io. Tzanakis, Kon. Kotsidis, Dim. Karvelis and Ioan. Storoulakis.

Navy Rear Adm Khr. Lymberis was promoted to the rank of vice admiral.

Air Force Maj Generals Il. Psomas and G. Mavrakis were promoted to the rank of air force lieutenant general.

Subsequently, the KYSEA /Government Council for National Defense/ made the above-mentioned army commander, fleet commander and tactical air force commander assignments, as well as other assignments in GEETHA, GES /Army General Staff/, ASDEN /Higher Military Command for the Interior and Islands/, SDA /Athens Military Directorate/, army corps and national defense school (a complete listing is published below).

New Armed Forces Hierarchy

The new armed forces hierarchy is as follows:

Gen N. Kouris, GEETHA chief; Army Lt Gen D. Manikas, first GEETHA deputy chief; Army Lt Gen Stam. Vellidis, GES chief; Army Lt Gen Milt. Laskaris, first GES deputy chief; Army Lt Gen K. Kotsidis, second GES deputy chief; Army Lt Gen Milt. Laskaris, army inspector general; Army Lt Gen P. Markopoulos, army commander; Army Lt Gen I. Stavroulakis, 1st Army Corps commander; Army Lt Gen I. Tzanakis, 2nd Army Corps commander; Army Lt Gen N. Vorvolakos, 3rd Army Corps commander; Army Lt Gen D. Skarvelis, 4th Army Corps commander; Army Lt Gen V. Goulliemos, SDA chief; Army Lt Gen I. Veryvakis, ASDEN chief; Air Force Lt Gen G. Mavrakis, National Defense School chief; Navy Vice Adm Leon. Vasilikopoulos GEN /Navy General Staff/ chief;

Navy Vice Adm Khr. Lymberis, fleet commander; Air Force Lt Gen N. Stappas, GEA /Air Force General Staff/ chief; and Air Force Lt Gen Il. Psomas, Tactical Air Force commander.

As has been made known, the new armed forces commanders are scheduled to be received by Prime Minister Papandreou and President Kh. Sartzetakis at noon today.

Newly-Announced Retirements

The sudden special classification and ranking review that "decapitated" the three general staff chiefs and the army commander was followed up yesterday by other retirements. Another four army lieutenant generals were retired (V. Mathioudakis, 1st Army Corps commander; Emm. Drakakakis, second GEETHA deputy chief; Th. Spanoudakis, first GES deputy chief; and P. Pandazis, second GES deputy chief). This follows the retirement the day before yesterday of Army Lt Gen E. Pentheroudakis (GES chief) and Army Lt Gen G. Ioannou (army commander).

Also, another nine army major generals were retired: M. Lambrianidis, K. Kritsonis, A. Marangakis, Tim. Vaitzos, Evang. Prassas, N. Kallias, Evang. Tsolakis, K. Saravas and A. Prokopiou.

Retired from the navy was Vice Adm V. Marangoudakis; from the air force Lt Gen And. Anastasiou, National Defense School director, and Air Force Maj Gen Al. Sarafonitis, tactical air force inspector, who was retired with the rank of lieutenant general.

5671

CSO: 3521/48

MILITARY

GREECE

POLICE CORPS PROMOTIONS ANNOUNCED

Athens I KATHIMERINI in Greek 24 Dec 86 p 1

/Excerpt/ Last evening, the Greek Police Supreme Council met under the chairmanship of the new police director, Lt Gen Nik. Arkoudeas, and with the participation of two army lieutenant generals, to fill two vacant lieutenant general positions. The council selected the two first officers in the rankings list, namely Maj Gen Khar. Bakhas-Fakas and Maj Gen Athan. Zafeiris, who were promoted to the rank of lieutenant general. These two high-ranking police officers hold the positions of deputy police directors and will be placed at the head of two police branches (administrative support branch and security and order branch). Their assignment will take place in a matter of days by Minister of Public Order And. Drosogiannis.

The supreme council will convene again in a few days to fill three vacant police major general positions from the ranks of police brigadier generals. The filling of these positions is deemed necessary, as Minister of Public Order Drosogiannis stated, because councils that are to make decisions on pending rankings lists must be established soon. In the meantime, it was made known yesterday that Mr Arkoudeas' position in the Attiki General Police Directorate will be assumed by Police Maj Gen And. Kalogeras, until now Peloponissos inspector, while Mr Zafeiris' position as Attiki security director will be assumed by Police Brig Gen Marinos Lambropoulos, deputy director of the same service and first on the brigadier generals rankings list.

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CSO: 3521/48

BRIEFS

AIR FORCE PROMOTIONS--Yesterday, Air Force Colonels Kh. Kombogiorgas, Panag. Georgoulis, Panag. Kardasis, Athan. Tsoganis and Khar. Stavrakakis were promoted to the rank of brigadier general. Also, the following air force colonels were promoted to the rank of brigadier general and then retired after having successfully ended their air force career: G. Mitsainas, Dim. Vamvatsikos, G. Baramboutis, Grig. Devertzis and Anast. Georgiadis. /Text/ /Athens I KATHIMERINI in Greek 1 Jan 87 p 1/ 5671

ARMY PROMOTIONS--It was announced yesterday that 36 army colonels were being retired while another 28 colonels were promoted to the rank of brigadier general to fill vacant positions. Also, two navy captains were promoted to the rank of commodore. Still remaining vacant is one navy commodore position and four air force brigadier positions. The following were the army colonels promoted to the rank of brigadier general: Arist. Angelatos (communications), Dim. Kyriazis (engineers), Aim. Perostis (artillery), Epam. Karavokyris (infantry), F. Metallinos (armored corps), Pavlos Moutsakis (artillery), Arist. Grivas (artillery), Khr. Moustakis (infantry), Evstr. Demestikhas (infantry), G. Mygdalis (artillery), Khr. Davos (infantry), Matthaios Khalkiadakis (infantry), Dion. Loukakis (engineers), Dim. Karagiannis (communications), Dim. Valkanas (artillery), N. Kyritsis (artillery), And. Vasalas (infantry), Dim. Mikhailidis (artillery), V. Papadimas (infantry), Khr. Petreas (infantry), Anast. Tsonis (infantry), Theodosios Frengoglou (engineers), Theodoros Torvas (armored corps), Khr. Mikhos (infantry), Pan. Maramountzos (artillery), G. Koutrafouris (engineers), Vas. Athanasiou (infantry), and Vas. Delimarkou (engineers). /Text/ /Athens I KATHIMERINI in Greek 31 Dec 86 p 10/ 5671

CSO: 3521/48

BRIEFS

OIL EXPLORATION--Lemesos, 19 Dec--A Swedish company has requested permission to conduct oil exploration in the waters off Lemesos. We have learned that the company recently contacted a Cypriot expert, who in turn got in touch with the competent government department. This company is very well-known in international oil and oil shipping circles. The name of the firm is Salen Energy, an affiliate of the Saleninvest AB Company. It is specifically interested in the area south of Moni. The oil rights belong to a well-known Lemesos personality. [Text] [Nicosia I SIMERINI in Greek 20 Dec 86 p 1] /9604

CSO: 3521/55

BRIEFS

PROPOSAL FOR FOREST REGENERATION--The main line of defense for protecting the forest is therefore a strategy for preventing emissions. Given that the maximum emission limits were established from the late seventies to the early eighties, these maximums must be reduced by 90 percent within a period of 15 years. That will be difficult, and if we want to avoid having one legislative period handing this unresolved issue over to the next, then we need a detailed timetable and an annual day of reckoning where we review our successes and failures. Along with this line of defense for preserving the forest, however, we also need a second line of defense within the forest. For we must start from the assumption, for the country's safety above all, that important forest regions are losing their efficiency. In order to keep the safety margin as wide as possible for future generations, these inefficient forest stocks should be regenerated as quickly as possible. Thus, all obstacles to regeneration must be removed: Forest pasture, immoderate recreational use, and above all excessive stocks of hoofed game are included. [Excerpt]
[Vienna DIE PRESSE in German 25/26 Oct 86 p 5] 12507/13104

CSO: 3620/44

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